

1 BEFORE THE
2 ILLINOIS COMMERCE COMMISSION

3 ILLINOIS COMMERCE COMMISSION) DOCKET NO.
 On Its Own Motion) 00 -0714
4 -vs-)
 ILLINOIS POWER COMPANY)
5)
 Reconciliation of revenues)
6 collected under gas adjustment)
 charges with actual costs prudently))
7 incurred.)

8 Springfield, Illinois
 August 3, 2001

9
10 Met, pursuant to notice, at 10:00 A.M.

11 BEFORE:

12 MR. WILLIAM SHOWTIS, Administrative Law Judge

13 APPEARANCES:

14 MR. OWEN MACBRIDE
15 Schiff, Hardin & Waite
 7200 Sears Tower
 Chicago, Illinois 60606

16 (Appearing on behalf of the Illinois
 Power Company)

17 MR. RANDALL B. PALMER
18 500 South 27th Street
19 Decatur, Illinois 62525

20 (Appearing on behalf of Illinois Power
 Company)

21 SULLIVAN REPORTING COMPANY, by
22 Cheryl A. Davis, Reporter

(Cont'd)

MS. LINDA M. BUELL
MR. STEVE MATRISCH
527 East Capitol Avenue
Springfield, Illinois 62701

(Appearing on behalf of the Staff of the
Illinois Commerce Commission)

1		I N D E X			
2	WITNESSES	DIRECT	CROSS	REDIRECT	RECROSS
3	BURMA C. JONES				
	By Mr. Matrisch	17			
4	By Mr. MacBride		20		
	By Judge Showtis		22		
5					
	ERIC LOUNSBERRY				
6	By Ms. Buell	25			
	By Mr. MacBride		32		
7	By Judge Showtis		58		
8	FRANK A. STARBODY				
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1	I N D E X		
2	EXHIBITS	MARKED	ADMITTED
3	ICC Staff 1.0 & 3.0	23	20
4	ICC Staff 2.0 & 4.0 Redacted		3 0
5	& Unredacted		
6	IP Revised 1.3, 1.4, 2.7	66	135
7	IP 1.1 & 1.2		135
8	IP 2.1 - 2.6		135
9	IP 3.1 - 3.4, Revised 3.5, 3.6 - 3.18		73
10	ICC Staff Cross 1	80	85
11	ICC Staff 2	87	89
12	ICC Staff 3	89	91
13	ICC Staff 4	91	93
14	Proprietary ICC Staff 5	94	97
15	Proprietary ICC Staff 6	99	Denied
16	ICC Staff 7	105	107
17	ICC Staff 8	107	108
18	ICC Staff 9	108	110
19	ICC Staff 10	110	111
20	ICC Staff 11	113	115
21	Proprietary ICC Staff 12	116	117
22			

1 PROCEEDINGS

2 JUDGE SHOWTIS: Pursuant to the authority
3 vested in me by the Commission, I now call for
4 hearing Docket 00-0714 which is a proceeding by the
5 Commission on its own motion versus Illinois Power
6 Company that concerns the reconciliation of
7 revenues collected under gas adjustment charges
8 with actual costs prudently incurred. This docket
9 concerns the PGA reconciliation for calendar year
10 2000.

11 Will the parties please enter their
12 appearances for the record.

13 MR. MACBRIDE: On behalf of Illinois Power
14 Company, Owen MacBride, 6600 Sears Tower, Chicago,
15 Illinois 60606, and Randall Palmer, 500 South 27th
16 Street, Decatur, Illinois 62525.

17 MS. BUELL: Appearing on behalf of Staff
18 witnesses of the Illinois Commerce Commission,
19 Linda M. Buell and Steven Matrisch, 527 East
20 Capitol, Springfield, Illinois 62701.

21 JUDGE SHOWTIS: Testimony has been prefiled in
22 this proceeding by Illinois Power and Commission

1 Staff. It's my understanding that the only witness
2 that would not be available for any
3 cross-examination today is Mr. Ogle. Is that
4 correct?

5 MR. MACBRIDE: Correct.

6 JUDGE SHOWTIS: And he will be testifying on
7 Tuesday starting at 1:30.

8 MR. MACBRIDE: That is correct.

9 JUDGE SHOWTIS: I'd like to -- before we go
10 forward with presentation of testimony, I'd like to
11 bring up one matter.

12 I have some concerns over the amount of
13 material, numbers, etc., that at least insofar as
14 what has been filed, prefiled, is being treated as
15 proprietary. I would like to be able to present an
16 order to the Commission in this proceeding that
17 would be a public version and not have to have a
18 separate proprietary version. There may be some
19 material or numbers that would have to be treated
20 as proprietary.

21 For example, the reconciliation
22 presented by Staff witness Jones is completely

1 blank and there's no numbers on there. I think --
2 I don't see why any of that should be proprietary
3 as to the amount of Staff's adjustments, so I don't
4 know how we want to deal with this. We could take
5 it up as each witness takes the stand, but I think
6 there's far too much material here that's treated
7 as proprietary, and maybe it was done initially
8 hopefully with the expectation that some of this
9 could be made public.

10 MR. MACBRIDE: Well, you'll notice, since the
11 Administrative Law Judge actually raised this with
12 me prior to the filing of the surrebuttal, in the
13 Company's surrebuttal nothing was designated as
14 proprietary or highly confidential, and that
15 included some numbers that had been so designated
16 in the rebuttal testimony, so we did attempt to cut
17 back on that, on the designations of proprietary
18 and confidential information.

19 I guess I'd also observe that the Staff
20 was very careful, and we appreciate that, in their
21 designations on their testimony to designate a fair
22 amount of information as confidential. I think

1 from the Company's point of view, the Staff has
2 probably designated more than we would find
3 necessary in our view. So, again, we appreciate
4 their care and caution on that and, you know, their
5 appreciation of the confidential nature of some of
6 the information, but I mean I think I do agree that
7 some of the information that has been designated at
8 this point as confidential in the Staff testimony
9 doesn't need to be in the final analysis here.

10 JUDGE SHOWTIS: Okay. Let's just go off the
11 record.

12 (Whereupon at this point in
13 the proceedings an
14 off-the-record discussion
15 transpired.)

16 JUDGE SHOWTIS: Okay. Those who are going to
17 testify today that are here in the hearing room,
18 would you please stand and raise your right hands.

19 (Whereupon three witnesses
20 were sworn by Judge
21 Showtis.)

22 JUDGE SHOWTIS: Staff may call its first

1 witness.

2 MR. MATRISCH: Staff calls Burma Jones.

3 BURMA C. JONES

4 called as a witness on behalf of the Staff of the
5 Illinois Commerce Commission, having been first
6 duly sworn, was examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. MATRISCH:

9 Q. Would you state your name for the
10 record, please?

11 THE WITNESS:

12 A. Burma C. Jones.

13 Q. Would you spell your name for the
14 record, please?

15 A. My first name is B-U-R-M-A C. Jones,
16 J-O-N-E-S.

17 Q. Who are you employed by?

18 A. I'm employed by the Illinois Commerce
19 Commission.

20 Q. And what is your business address?

21 A. 527 East Capitol Avenue, Springfield,
22 Illinois 62701.

1 Q. What is your position with the Illinois
2 Commerce Commission?

3 A. I'm an accountant in the Accounting
4 Department of the Financial Analysis Division.

5 Q. Did you prepare written exhibits and
6 schedules for submittal in this proceeding?

7 A. Yes, I did.

8 Q. You have before you a document that's
9 been previously marked for identification as ICC
10 Staff Exhibit 1.0 consisting of seven typewritten
11 pages and including Schedules 1.0 and 2.0 and is
12 titled Direct Testimony of Burma C. Jones. Did you
13 prepare that document for presentation in this
14 case?

15 A. Yes, I did.

16 Q. You also have before you a document that
17 has been previously marked for identification as
18 ICC Staff Exhibit 3.0 consisting of three
19 typewritten pages and including Schedules 1.0 and
20 2.0 and is titled Rebuttal Testimony of Burma C.
21 Jones. Did you also prepare that document for
22 presentation in this matter?

1 A. Yes, I did.

2 Q. Do you have any additions or corrections
3 to make to either ICC Staff Exhibit 1.0 or 3.0?

4 A. No, I do not.

5 Q. Is the information that is contained in
6 ICC Staff Exhibit 1.0 and 3.0 true and correct to
7 the best of your knowledge?

8 A. Yes, it is.

9 Q. And if you were asked the same questions
10 and asked for the same information as set forth in
11 ICC Staff Exhibit 1.0 and 3.0 today, would your
12 responses be the same?

13 A. Yes, they would.

14 MR. MATRISCH: At this time, Your Honor, I
15 would move for admission into evidence ICC Staff
16 Exhibit 1.0 with corresponding schedules and Staff
17 Exhibit 3.0 with the respective schedules.

18 JUDGE SHOWTIS: Any objections, Mr. MacBride?

19 MR. MACBRIDE: No, sir.

20 MR. MATRISCH: Ms. Jones is available for
21 cross-examination, Your Honor.

22 JUDGE SHOWTIS: Staff Exhibits 1.0 and 3.0 are

1 admitted.

2 (Whereupon Staff Exhibits
3 1.0 and 3.0 were received
4 into evidence.)

5 And just so the record is clear, the
6 cover page refers to those exhibits as the
7 unredacted direct and rebuttal testimonies of
8 Ms. Jones. During an off-the-record discussion,
9 counsel for Illinois Power agreed that all of the
10 information provided in those exhibits will be
11 treated as public. There previously was a redacted
12 version, so there will only be one version of this
13 testimony.

14 Mr. MacBride, do you have any questions?

15 MR. MACBRIDE: Yes, I have a few. Thank you.

16 CROSS EXAMINATION

17 BY MR. MACBRIDE:

18 Q. Ms. Jones, I'd like you to look at Staff
19 Exhibit 3.0, Schedule 2.0, please. On this
20 schedule you have shown the proposed allocation of
21 the Staff adjustment, which is presented by
22 Mr. Lounsberry, among Illinois Power Rider A, Rider

1 B demand, and Rider B commodity. Is that correct?

2 A. Yes.

3 Q. What I would like you to do basically
4 is, if you would, go line by line through this
5 exhibit with the specific adjustments that have
6 been proposed by Mr. Lounsberry and explain for the
7 record if the Administrative Law Judge or the
8 Commission determined that there should be an
9 adjustment for each of these items but in an amount
10 less than what has been recommended by
11 Mr. Lounsberry, how the reduced level of adjustment
12 in relation to your column C would then be
13 allocated among columns D, E, and F.

14 A. Okay. If any of the adjustments in
15 column C were to change, the new amount would flow
16 to Rider A and Rider B in the same proportion as
17 the respective adjustment on lines 1 through 7 of
18 this schedule. Then the resulting new total
19 adjustment for the individual rider on line 8 of
20 this schedule would carry forward to line 6, column
21 D, of the appropriate page of Staff Exhibit 3,
22 Schedule 1.

1 MR. MACBRIDE: Thank you. That's all the
2 questions we have.

3 JUDGE SHOWTIS: I may need some clarification
4 from that answer.

5 EXAMINATION

6 BY JUDGE SHOWTIS:

7 Q. Let's just take one of those lines as an
8 example, and perhaps to make it simple, let's go
9 down to line 6. The Dynegy city gate contract
10 there's an adjustment of \$1,000. \$932 is allocated
11 to Rider A and 68 to Rider B, so it looks like 93.2
12 percent of that adjustment was allocated to Rider A
13 and 6.8 percent to Rider B. Now if that
14 adjustment, for example, was \$500, just so I
15 understand this, how would that be allocated?

16 A. In the same proportion.

17 Q. And would that be true then for each of
18 the lines?

19 A. Yes, it would.

20 Q. So what the Administrative Law Judge or
21 the Commission would have to do is just take the
22 percentage allocations for Rider A, Rider B demand,

1 and Rider B commodity, if applicable, that are on
2 Staff Exhibit 3.0, Schedule 2.0, and multiply those
3 percentages by the adjustments that the Commission
4 determined to be appropriate and then spread those
5 same percentages among Rider A, Rider B demand, and
6 Rider B commodity?

7 A. Yes, that is correct.

8 JUDGE SHOWTIS: Okay. Thank you. That's all
9 I had.

10 And, Mr. MacBride, just so the record is
11 clear, does the Company agree that that would be
12 appropriate?

13 MR. MACBRIDE: Yes.

14 JUDGE SHOWTIS: Okay.

15 You can step down.

16 MR. MATRISCH: No redirect, Your Honor.

17 (Witness excused.)

18 (Whereupon ICC Staff

19 Exhibits 1.0 and 3.0 were

20 marked for identification.)

21 JUDGE SHOWTIS: Staff may call its next
22 witness.

1 MS. BUELL: Your Honor, Staff calls Eric
2 Lounsberry to the stand.

3 MR. MACBRIDE: Off the record.
4 (Whereupon at this point in
5 the proceedings an
6 off-the-record discussion
7 transpired.)

8 JUDGE SHOWTIS: Let's go back on the record.
9 Why doesn't Staff counsel just have
10 Mr. Lounsberry identify by exhibit number, you
11 know, what he's offering, and then I can just
12 briefly indicate what transpired during the
13 off-the-record examination of his testimony and
14 exhibits.

15 MS. BUELL: Fine.

16 JUDGE SHOWTIS: And then he can make the
17 corrections after that.

18 You can take the stand.

19 MR. MACBRIDE: Can we take a two-minute break?

20 JUDGE SHOWTIS: That's fine.

21 (Whereupon a short recess
22 was taken.)

1 JUDGE SHOWTIS: Let's go back on the record.

2 ERIC LOUNSBERRY

3 called as a witness on behalf of the Staff of the
4 Illinois Commerce Commission, having been first
5 duly sworn, was examined and testified as follows:

6 DIRECT EXAMINATION

7 BY MS. BUELL:

8 Q. Good morning.

9 THE WITNESS:

10 A. Good morning.

11 Q. Please state and spell your full name
12 for the record.

13 A. My name is Eric Lounsberry, E-R-I-C
14 L-O-U-N-S-B-E-R-R-Y.

15 Q. Mr. Lounsberry, who is your employer and
16 what is your business address?

17 A. I'm employed by the Illinois Commerce
18 Commission. My business address is 527 East
19 Capitol Avenue, Springfield, Illinois 62701.

20 Q. And what is your position at the
21 Illinois Commerce Commission?

22 A. I am the Gas Section Supervisor of the

1 Engineering Department of the Energy Division.

2 Q. Did you prepare written exhibits and
3 schedules for submittal in this proceeding?

4 A. Yes, I did.

5 Q. You have before you a document which has
6 been marked for identification as ICC Staff Exhibit
7 2.0 Unredacted which consists of 29 typewritten
8 pages and Schedules 1 through 4 and is titled
9 Direct Testimony of Eric Lounsberry. You also have
10 before you a document which has been marked for
11 identification as ICC Staff Exhibit 2.0 Redacted
12 which consists of three schedules and is titled
13 Direct Testimony of Eric Lounsberry. Did you
14 prepare those documents for presentation in this
15 matter?

16 A. Yes.

17 Q. You also have before you a document
18 which has been marked for identification as ICC
19 Staff Exhibit 4.0 Unredacted which consists of 26
20 typewritten pages and Schedules 1 through 12 and is
21 titled Rebuttal Testimony of Eric Lounsberry. In
22 addition, you have before you a document which has

1 been marked for identification as ICC Staff Exhibit
2 4.0 Redacted which consists of one schedule, 12.0.
3 Did you prepare these documents for presentation in
4 this matter?

5 A. Yes.

6 Q. Mr. Lounsberry, do you have any
7 additions or corrections to make to ICC Staff
8 Exhibits 2.0 or 4.0 Redacted and Unredacted?

9 A. Yes.

10 Q. What are those corrections?

11 A. If you would turn to the unredacted
12 rebuttal testimony, Schedule 3. The line that's
13 entitled Discount Factor, I discovered I had used
14 the wrong divisor in calculating the discount rate
15 for that, for this schedule. That results in every
16 number in that row excluding the number one
17 changing.

18 JUDGE SHOWTIS: I'm sorry. What was the
19 number of that exhibit again?

20 THE WITNESS: Schedule 3.

21 JUDGE SHOWTIS: Okay.

22 THE WITNESS: It's a three-page schedule.

1 JUDGE SHOWTIS: Right. Okay.

2 MS. BUELL: We're on the discount factor line.
3 We're going to change every number across.

4 JUDGE SHOWTIS: Okay.

5 THE WITNESS: Do you want me to read the
6 correct numbers into the record?

7 MS. BUELL: Or do you want us to make those
8 corrections when we refile the testimony?

9 JUDGE SHOWTIS: How many -- so there's ten
10 numbers I believe on --

11 THE WITNESS: There would be 60 numbers total
12 that would change on that schedule.

13 JUDGE SHOWTIS: I don't think you have to read
14 them in at this point.

15 THE WITNESS: Okay. It's an immaterial
16 change. I think the total adjustment difference
17 would be 13,500.

18 JUDGE SHOWTIS: Why don't you just state -- is
19 that on -- okay. What was the total effect of that
20 change again? 13,000?

21 THE WITNESS: The net present value number
22 shown on the first page of Schedule 3 in the lower

1 left-hand column originally was 4,506,472. The new
2 number would be 4,493,306.

3 JUDGE SHOWTIS: Okay.

4 THE WITNESS: That change also requires
5 Schedule 2 to change. The third number on that --
6 or the second number on that schedule where it says
7 during their plant upgrade, Schedule 3.0, would
8 then change to 4,493,306, and the difference would
9 be change to 6,496,272.

10 JUDGE SHOWTIS: Okay.

11 THE WITNESS: Changing that schedule causes
12 the narrative testimony on line 103 to change to
13 that. Instead of the 6,483,000 number, it would
14 now be 6,496,000.

15 JUDGE SHOWTIS: Okay.

16 THE WITNESS: So a total difference of 13,000.

17 MS. BUELL:

18 Q. Mr. Lounsberry, do you have any further
19 additions or corrections to make to your testimony?

20 A. No.

21 Q. And you will provide copies of your
22 corrected testimony to the Court Reporter at some

1 time in the future. Is that correct?

2 A. Yes.

3 Q. Mr. Lounsberry, is the information
4 contained in ICC Staff Exhibits 2.0 and 4.0
5 Redacted and Unredacted true and correct to the
6 best of your knowledge?

7 A. Yes.

8 Q. And if I were to ask you the same
9 questions today and for the same information set
10 forth in ICC Staff Exhibits 2.0 and 4.0 Redacted
11 and Unredacted, would your answers be the same
12 today?

13 A. Yes.

14 MS. BUELL: Judge Showtis, I move for
15 admission into evidence ICC Staff Exhibits 2.0 and
16 4.0 Redacted and Unredacted, including their
17 respective schedules.

18 JUDGE SHOWTIS: Any objection?

19 MR. MACBRIDE: No.

20 JUDGE SHOWTIS: ICC Staff Exhibits 2.0 and 4.0
21 Redacted and Unredacted are admitted into evidence.

22 (Whereupon ICC Staff

1 Exhibits 2.0 Redacted and
2 Unredacted and Exhibits 4.0
3 Redacted and Unredacted were
4 received into evidence.)

5 And just so the record is clear, the
6 three schedules that were part of Mr. Lounsberry's
7 direct testimony that will have redacted and
8 unredacted versions are Schedules 2.0, 3.0, and
9 4.0.

10 MS. BUELL: That is correct.

11 JUDGE SHOWTIS: And then with regard to his
12 rebuttal, the only schedule that will have two
13 versions, both redacted and unredacted, will be
14 Schedule 12.0.

15 MS. BUELL: That is correct as well.

16 JUDGE SHOWTIS: And all of his direct and
17 rebuttal testimony will be in one version. It's
18 all available to the public.

19 THE WITNESS: Yes.

20 JUDGE SHOWTIS: Okay.

21 You may cross-examine, Mr. MacBride.

22 MR. MACBRIDE: Thank you.

1 JUDGE SHOWTIS: Did I admit those exhibits?

2 MR. MATRISCH: Yes.

3 JUDGE SHOWTIS: Okay. I'm getting old and
4 feeble, so.

5 Okay. You may cross-examine.

6 CROSS EXAMINATION

7 BY MR. MACBRIDE:

8 Q. Mr. Lounsberry, with respect to the
9 retirement of the Freeburg propane plant, you have
10 recommended a gas cost disallowance of \$1,273,000.
11 Correct?

12 A. That's correct.

13 Q. And would you refer to your direct
14 testimony at page 7, please?

15 A. I'm there.

16 Q. You've indicated on lines 121 through
17 126 that you took the \$1,273,000 figure from
18 Illinois Power's response to Staff Data Request
19 ENG-2.122. Is that correct?

20 A. Yes.

21 Q. Do you have a copy of that response with
22 you?

1 A. Yes, I do.

2 Q. Would you agree -- let me back up.

3 You personally prepared this data
4 request. Correct? I mean the question.

5 A. I prepared the question, yes.

6 Q. Okay. And is it correct that the
7 question you asked stated -- well, let me ask you
8 to read for the record what the question was that
9 you asked in this data request.

10 A. Oh, I thought you were going to read it.
11 I'm sorry. "Referring to the Company's responses
12 to Staff Data Request ENG-2.99, what was the peak
13 day capacity of the retired propane plant? Provide
14 the annual fixed cost to reserve the same amount of
15 supply capacity to serve IP's system. The annual
16 cost should include transportation costs and any
17 likely supply reservation costs. Also provide an
18 estimate for the cost of a swing city gate purchase
19 of the same capacity."

20 Q. And based on the response from Illinois
21 Power, did you understand that the figure of
22 \$1,273,000 was the annual fixed cost to reserve

1 20,000 MMBTU per day of firm transportation
2 capacity?

3 A. Yes.

4 Q. Referring to your direct testimony at
5 page 9, lines 152 to 156, you indicate there that
6 in calculating the disallowance you recommend that
7 you assumed IP purchased a transportation contract
8 of a like amount to replace the propane plant's
9 capacity. Is that correct?

10 A. That is my testimony.

11 Q. Referring you to page 4 of your direct
12 testimony, at lines 79 through 86, in that portion
13 of your testimony you refer to a process or you
14 describe a process of mixing propane with air for
15 injection into a utility's natural gas system. Is
16 that correct?

17 A. That is correct.

18 Q. Is it your understanding that the
19 Freeburg propane plant was not a propane air plant?

20 A. That correction I think was made in
21 Mr. Starbody's testimony, and I agree with that.

22 Q. Referring to page 6 of your direct

1 testimony, at lines 103 and 104 you indicate that
2 IP maintained about three days' supply of propane
3 at its facility. Is that correct?

4 A. That's correct.

5 Q. And is it your understanding that three
6 days' supply would be about 80,000 gallons of
7 propane for that particular plant?

8 A. No.

9 Q. What is your understanding as to what a
10 three-day supply would be?

11 A. I think you missed the zero. It's
12 800,000 gallons I believe.

13 Q. Thank you.

14 Referring now to your rebuttal
15 testimony, Staff Exhibit 4, at page 4 in question
16 number 10 the question that you are asked is why do
17 you believe that IP has not supported the level of
18 capital expenditure needed to upgrade the Freeburg
19 facility as a reason to retire the Freeburg propane
20 plant. Did I read that correctly?

21 A. That's my question 10.

22 Q. Then in your answer -- is it fair to say

1 that in your answer to question 10 you discussed
2 the fact that Illinois Power did not conduct a PVRR
3 analysis to compare the alternative of making the
4 capital expenditure and continuing to operate the
5 plant versus the alternative of closing the plant
6 and buying replacement transportation capacity?

7 A. That's correct.

8 Q. Okay. You are not -- you have not
9 disputed Illinois Power's estimate that \$1.873
10 million of capital expenditures were needed at the
11 Freeburg facility, have you?

12 A. I did not dispute that number.

13 Q. Is it your position that the results of
14 a PVRR analysis should have been the only thing
15 considered in determining whether to retire or to
16 continue to operate the plant?

17 A. Could I have that read back, please?

18 (Whereupon the requested
19 portion of the record was
20 read back by the Court
21 Reporter.)

22 A. A PVRR should be an integral part of the

1 decision-making process, but it would not
2 necessarily be the only thing for the process.

3 Q. So would it be fair to say that you
4 would not recommend making the decision to retire
5 or to continue to operate solely on the basis of
6 the results of a PVRR analysis?

7 A. It should be integral within the
8 decision -- well, let me clarify it. If you have a
9 PVRR that shows it is more expensive to replace it
10 with a supply contract, you should have some very
11 good reasons why you should discount or exclude the
12 PVRR from the decision-making process.

13 Q. On page 7 of your rebuttal testimony on
14 line 140 to 141 you indicate that the nearest
15 residential development to the Freeburg facility is
16 over four miles away. Is that correct?

17 A. That's correct.

18 Q. However, the village of Freeburg itself
19 is approximately two and a half miles away,
20 correct?

21 A. That is correct.

22 Q. The residential development that you're

1 referring to on lines 140 and 141 is located west
2 of the Freeburg plant site. Correct?

3 A. That is correct.

4 Q. And the village of Freeburg is located
5 north of the plant site on Illinois Highway 13.
6 Correct?

7 A. Yes.

8 Q. Do you know what the Commission-approved
9 depreciation rate for the plant and equipment at
10 the Freeburg propane plant is?

11 A. No.

12 Q. In your 30-year PVRR analysis for the
13 Freeburg plant, you assumed that the new investment
14 would be recovered over a 30-year period. Correct?

15 A. That was the assumption made in the
16 analysis.

17 Q. So, in essence, you assumed a 30-year
18 book life for that investment?

19 A. Thirty-year book life with straight line
20 depreciation.

21 Q. And similarly, in your 15-year PVRR
22 analysis you assumed a 15-year book life with

1 straight line depreciation for the new investment,
2 correct?

3 A. That's correct.

4 Q. And I take it in preparing your two PVRR
5 analyses you did not look to see what the current
6 approved depreciation rate was for the Freeburg
7 facility?

8 A. I did not.

9 Q. And therefore is it fair to say you also
10 did not determine what the current approved book
11 life is for the propane facilities?

12 A. I did not, but I'm not sure we -- I'm
13 not sure the Commission specifies book lives of any
14 equipment.

15 Q. Well, one could determine an effective
16 book life from the approved depreciation rate,
17 correct?

18 A. Yes.

19 Q. Let me ask you this hypothetical
20 question, Mr. Lounsberry.

21 A. Wait a minute.

22 (Pause in the proceedings.)

1 Okay.

2 Q. Assume Illinois Power had conducted the
3 30-year PVRP analysis just like you've presented in
4 your testimony and on that basis decided to go
5 ahead and spend the \$1.873 million of new capital
6 expenditures in order to continue to operate the
7 Freeburg plant. Okay? And then assume that five
8 years later, say in 2005, something happened,
9 either new regulations were enacted applicable to
10 propane facilities or some other component of the
11 plant wore out and needed replacement, like perhaps
12 the 800,000 gallon storage tank, and the result of
13 that, whatever it was, either new regulations or
14 another plant component wearing out, was a need for
15 an additional capital expenditure of \$2 million in
16 2005. Okay? And then assume that Illinois Power
17 did another PVRP analysis at that point with
18 respect to the new expenditure of \$2 million that
19 was required, and that PVRP analysis clearly showed
20 that it was more economical at that point to retire
21 the plant rather than make any additional
22 expenditure.

1 A. Okay.

2 Q. Do you understand all these assumptions?

3 A. I understand.

4 Q. In that scenario, in your view should
5 Illinois Power be allowed to recover from its
6 customers the undepreciated balance of the original
7 \$1.873 million investment that had been made in the
8 year 2000?

9 A. There's a similar case that has happened
10 in the past where Peoples was allowed to recover
11 the costs associated with its S&G plant before the
12 end of its book life. I don't know all the details
13 of how that was done, but there is precedent before
14 the Commission on how that is handled.

15 Q. Okay. Well, my question is -- I'm
16 sorry.

17 A. I don't know how that would be done, but
18 there is precedent out there.

19 Q. Well, what would be your recommendation?

20 A. The department that usually recommends
21 that type of information is the Accounting
22 Department. I would not be the witness responsible

1 for that type of recommendation.

2 Q. In making the decision -- we're now back
3 in 2000. In make making the decision as to whether
4 to go ahead and spend the \$1.873 million to keep
5 the plant operating, do you think it's an
6 appropriate part of that analysis to consider the
7 likelihood that the plant would be able to be
8 continued to be operated over the book life period
9 that would be necessary to recover that entire
10 investment?

11 A. The Company should take into account all
12 factors that it believes it should take into
13 account when conducting a PVRR to ensure it has
14 made the best decision.

15 Q. Okay. And is the likelihood that the
16 plant would be able to be operated for, based on
17 your analysis, another 30 years to recover that
18 investment, is that one of those factors?

19 A. Yes.

20 Q. If we could turn to the topic of the
21 Gillespie storage field, is it your understanding
22 that the capacity of the Gillespie storage field

1 was approximately 32,000 MMBTU?

2 A. The amount of inventory in the storage
3 field was 32,000 MMBTU. The capacity, peak day
4 capacity of the plant is 5,000 a day.

5 Q. Okay. 5,000 MMBTU.

6 A. Yes.

7 Q. All right. And would it be fair to say
8 then that the Gillespie field could provide its
9 peak deliverability for approximately six days
10 before the inventory would need to be replenished?

11 A. Yes.

12 Q. Referring you to your direct testimony
13 at page 13, lines 228 to 230 you indicate that in
14 calculating your recommended disallowance relating
15 to the retirement of the Gillespie storage field,
16 you assumed that the Gillespie field would have
17 operated during the reconciliation period in a
18 manner similar to IP's Centralia storage field.
19 Correct?

20 A. That's correct.

21 Q. Is it your understanding that the
22 capacity of the Centralia field is approximately

1 100 -- I'm sorry -- the storage inventory of the
2 Centralia field is approximately 143,000 Mcf?

3 A. I do not recall.

4 Q. Do you recall if the peak day
5 deliverability of the Centralia field was
6 approximately 14,000 Mcf?

7 (Pause in the proceedings.)

8 A. Yes.

9 Q. Mr. Lounsberry, do you have the
10 Company's response to Data Request ENG-2.5?

11 A. Yes.

12 Q. Okay. Can you look at that and see if
13 that refreshes your recollection as to what the
14 capacity of the Centralia field is? And let me
15 indicate that that response is marked highly
16 confidential, but if you can -- I'm asking you to
17 state the capacity of the Centralia field -- excuse
18 me -- the storage inventory of the Centralia field.

19 A. The inventory is 143,000 Mcf.

20 Q. Thank you.

21 Referring to your rebuttal testimony at
22 page 15.

1 A. Okay.

2 Q. On line 285 you indicate that in your
3 PVRR analyses for the Gillespie storage field you
4 used an annual operations and maintenance level for
5 the Gillespie field of \$8,100. Is that correct?

6 A. That's correct.

7 Q. And you say it's based off the Company's
8 1999 annual report. By annual report do you mean
9 Form 21?

10 A. Yes.

11 Q. Okay. Can you tell me what the page
12 reference is for that number, or the schedule
13 reference, the table reference in the Form 21?

14 A. I've left that upstairs. I can't tell
15 you that at this point.

16 Q. Well, is it correct that you took a
17 number of 8,100 or -- strike that.

18 Is it correct that somewhere in its 1999
19 ICC Form 21, Illinois Power reported a number of
20 approximately \$8,100 for the operation and
21 maintenance expense for the Gillespie field?

22 A. Yes.

1 Q. Did you look at annual reports for any
2 other years to determine if the O&M for the
3 Gillespie field had been at any different levels in
4 prior years?

5 A. I looked at the 2000 report, but since
6 that was the year it was retired, I did not -- I
7 don't even know what the number said, but I did not
8 think that would be an appropriate year for a
9 number, so I went to the 1999 number which would
10 have been the last full year of operation of the
11 field.

12 Q. Would you accept, subject to check, that
13 in its 1997 annual report Illinois Power reported
14 \$18,296 of operation and maintenance expense for
15 the Gillespie field?

16 A. That's 18,276?

17 Q. 296.

18 A. 296.

19 Q. Can you accept --

20 A. Yes.

21 Q. Okay. In your PVRR analyses for the
22 Gillespie field did you assume -- strike that.

1 In your PVRR analysis of the scenario in
2 which Illinois Power would make some additional
3 capital investment at Gillespie and continue to
4 operate the plant, did you assume that the Company
5 would incur any additional capital expenditures
6 over the 30-year or the 15-year period you
7 analyzed?

8 A. No.

9 Q. On page 13 of your rebuttal testimony at
10 lines 247 to 249 you describe some of the
11 facilities at the Gillespie field. Correct?

12 A. That's correct.

13 Q. You refer to injection /withdrawal
14 wells, a reboiler, a separator, a supply pipeline,
15 and two meters. Is that correct?

16 A. That's correct.

17 Q. And these are all pieces of mechanical
18 or electrical equipment. Is that correct? Or at
19 least they have mechanical or electrical equipment
20 components to them?

21 A. I would agree with mechanical.
22 Electrical, without seeing the facilities, I don't

1 know if I'd agree with the electrical portion.

2 Q. Any of this equipment potentially could
3 be subject to breakdown or need replacement over a
4 15 or 30-year period. Would you agree with that?

5 A. Once wells are in the ground, I don't
6 know if there's really that much maintenance other
7 than at the wellhead. The other equipment could
8 possibly require O&M expenditures.

9 Q. Or could require replacement, couldn't
10 it?

11 A. I'm not sure about replacement; perhaps
12 repair.

13 Q. All right. On page 15 of your rebuttal
14 testimony, line 295, you indicate that in your PVRR
15 analysis -- in the portion leading up to line 295
16 you describe your replacement gas cost assumptions
17 for your PVRR analysis, and you state on line 295
18 that the year 2001 value was assumed to equal
19 \$330,000. Is that correct?

20 A. That's correct.

21 Q. Can you break that out for us into what
22 amount was pipeline reservation cost, what amount

1 was swing supply reservation cost, and what part
2 was commodity savings?

3 A. Sure. If you refer to my direct
4 testimony Schedule 2, there's \$318,250 associated
5 with pipeline reservation cost or pipeline costs.
6 There's 6,100 associated with reservation, and the
7 balance I assume to be commodity savings.

8 Q. How did you then determine the
9 replacement gas cost for the years after 2001?

10 A. They were subject to the inflation
11 factor.

12 Q. Of 2.85 percent?

13 A. Yes.

14 Q. Referring you to page 17 of your
15 rebuttal testimony, here you're discussing your
16 position that the Gillespie field would have been
17 used for storage withdrawals during the period of
18 December 17th through 22nd of 2000 had it been in
19 operation. Is that correct?

20 A. That's correct.

21 Q. And that this is part of your
22 disallowance calculation. Correct?

1 A. That's correct.

2 Q. And on lines 333 to 335 you refer to the
3 Company's response to Staff Data Request ENG-2.69,
4 correct?

5 A. That's correct.

6 Q. And you say IP increased the withdrawal
7 levels from its storage fields to accommodate the
8 capacity lost as a result of the Hillsboro
9 incident. Is that correct?

10 A. That's correct.

11 Q. And do you have a copy of that data
12 request with you, or the response rather with you?

13 (Pause in the proceedings.)

14 A. Okay.

15 Q. In this response, which was marked
16 highly confidential, but I'm going to ask you about
17 it and not regard it as confidential at this point,
18 Illinois Power stated in its response that it
19 increased the levels of planned withdrawals from
20 other storage fields to accommodate the reduction
21 in capacity at Hillsboro during the period that the
22 Hillsboro field was out of service. Is that

1 correct?

2 A. That's not a direct reading of the
3 response.

4 Q. Okay. Well, why don't you read the
5 response.

6 A. "During the reconciliation period,
7 Illinois Power increased the levels of planned
8 withdrawals from other storage fields to
9 accommodate the reduction in capacity at Hillsboro.
10 By closely monitoring the weather and demand
11 forecasts, IP was able to offset the Hillsboro
12 capacity by using only storage assets."

13 Q. Okay. Thank you.

14 Now do you have with you the Company's
15 response to Data Request ENG-2.57?

16 A. Yes.

17 Q. And in this response the Company
18 provided you with the daily storage activity at
19 each storage field during the months of November
20 and December of 2000. Correct?

21 A. Yes.

22 Q. Okay. And is it correct that during the

1 period of December 17th through 22nd, 2000, one of
2 the storage fields had zero withdrawals on three of
3 those days?

4 A. Could you give me the time period again,
5 please?

6 Q. December 17th through 22nd, and I'm
7 excluding Hillsboro in that question since it was
8 out of service.

9 A. Yes.

10 Q. And would you agree that another field
11 had net injections on two of the days in that
12 period?

13 A. There were no Company-owned storage
14 fields that received injections in that time
15 period.

16 Q. Okay. Would you agree that two of the
17 Company's leased storage services had net
18 injections during that period?

19 A. Yes.

20 Q. And for each of those two leased storage
21 services, there were net injections on two days in
22 that period. Correct?

1 A. That's correct.

2 Q. Now turning briefly to your testimony on
3 gas purchasing practices, and referring you to page
4 24 of your rebuttal testimony.

5 A. Hang on a second, please.

6 (Pause in the proceedings.)

7 Okay. Thank you.

8 Q. Page 24 of your rebuttal testimony?

9 A. Okay.

10 Q. For the winter season of 1999 to 2000
11 Illinois Power entered into 16 firm swing
12 contracts. Is that correct?

13 A. Yes.

14 Q. And for the winter season of 2000 to
15 2001 Illinois Power entered into 18 firm swing
16 contracts. Correct?

17 A. Yes.

18 Q. And is it your understanding that IP
19 chose each of those 34 contracts over the other
20 available bids based on -- solely on the basis of
21 lowest reservation cost?

22 A. The 2000/2001 is definitely yes and the

1 year before yes.

2 Q. Now with respect to the 18 firm swing
3 contracts that were entered into for 2000 and 2001,
4 there were five of those contracts for which the
5 winning contract had a higher commodity rate than
6 the next best bid. Is that correct?

7 A. I discuss that in my direct testimony.
8 I don't remember if five is the right number or
9 not. Just give me a second.

10 (Pause in the proceedings.)

11 There were five occurrences.

12 Q. Of those five occurrences, in three of
13 them, based on the actual amount of commodity taken
14 under the contract in the year 2000, Illinois
15 Power's total cost for both reservation and
16 commodity was less than it would have been if
17 Illinois Power had taken the second best contract.
18 Correct?

19 A. Yes.

20 Q. For one of those five contracts,
21 specifically the contract with PG&E relating to the
22 NGPL South Texas receipt point, Illinois Power

1 calculated at your request that based on the amount
2 of commodity actually taken under the contract,
3 Illinois Power would have had lower costs, lower
4 total costs, if it had taken the second best
5 contract. Correct?

6 (Pause in the proceedings.)

7 A. Okay. I'm ready for it to be read back
8 to me.

9 (Whereupon the requested
10 portion of the record was
11 read back by the Court
12 Reporter.)

13 A. Yes.

14 Q. And the amount of those lower costs or
15 what the lower cost would have been was \$1,557 on
16 that contract, right?

17 A. That's correct.

18 Q. And so we've now discussed four of the
19 five contracts. Correct?

20 A. That's correct.

21 Q. All right. And for the fifth contract,
22 which was the contract with Dynegy Marketing and

1 Trade on NGPL, Illinois Power calculated that there
2 were savings of \$1,845 compared to the next best
3 alternatives, and your position is that there were
4 additional costs of \$620. Correct?

5 A. The calculation IP put together showed a
6 savings of \$1,835. My calculation showed extra
7 costs of \$620.

8 Q. All right. So out of the 18 contracts
9 for the 2000/2001 winter season that Illinois Power
10 selected on the basis of lowest reservation costs,
11 there were at most two of those contracts on which
12 Illinois Power, in fact, incurred higher costs in
13 2000 than it would have incurred if it had taken
14 the next best bid. Correct?

15 A. I don't think that's the correct
16 characterization. There were five contracts where
17 there were differences on the commodity side, so I
18 would say two out of five, not two out of eighteen.

19 Q. Well, are you saying that on some of the
20 other 13 contracts Illinois Power also incurred
21 higher costs than it would have if it had taken the
22 next best bid?

1 A. No. My testimony dealt with those
2 instances where IP ignored contracts that had
3 better commodity rates but higher reservation
4 rates. My understanding is that happened five
5 times, so out of those five times my testimony is
6 IP incurred extra costs on two of those occasions.

7 Q. Well, in fact, Illinois Power ignored
8 the commodity rates on all 18 contracts, correct,
9 in making its decision as to which contract to
10 select?

11 A. Yes, but there were not differences in
12 the commodity rates on 13 of those.

13 Q. Would you agree that for just the five
14 contracts you focused on, looking at them in the
15 aggregate, based on the amount of commodity
16 actually taken under each contract, Illinois Power
17 incurred lower total costs than it would have
18 incurred if it had taken the second best bid in
19 each instance?

20 A. Yes.

21 Q. Finally, Mr. Lounsberry, is it correct
22 that in this case you asked Illinois Power

1 approximately 196 data requests?

2 A. 197.

3 Q. Thank you. And on most of those
4 requests you requested responses within two weeks.
5 Is that correct?

6 A. That is correct.

7 Q. All right. And then in the last part of
8 the case here on some of the requests you asked for
9 a quicker response time than two weeks?

10 A. Yes. That was usually because I had
11 testimony due before two weeks.

12 Q. Yes. I understand. And do you feel
13 that the responses were provided within the
14 requested time frames throughout the case?

15 A. Yes.

16 MR. MACBRIDE: Thank you.

17 That's all the questions we have.

18 JUDGE SHOWTIS: I just have a few questions.

19 EXAMINATION

20 BY JUDGE SHOWTIS:

21 Q. The PVRR analyses that you presented in
22 this docket utilized 15-year and 30-year periods.

1 Why did you select those two periods?

2 A. Past testimony I put in regarding
3 propane facilities used PVRRs that went 30 years
4 and 15 years. I guess I was being consistent with
5 my past testimony.

6 Q. And do you recall why in your past
7 testimony you used those same periods?

8 A. No.

9 Q. Now with regard to the weight to be
10 given to the PVRR analyses, and I'm talking about
11 the 30-year versus 15-year, do you believe more
12 weight should be given to the shorter period or
13 longer period or approximately the same weight?
14 And then explain why.

15 A. Ideally, when a company would do a PVRR,
16 they would have an idea of what the life of the
17 project -- life of that facility would be, either
18 through studying the equipment to see what the
19 remaining life is. A new facility I would say 30
20 years. For an existing facility that's really more
21 an unknown quantity, but because it's existing
22 plant, I would probably give a little more weight

1 to 30 years because once you spend the money, it's
2 sitting there.

3 Q. So, in other words, for the analysis
4 that you presented, you would give somewhat more
5 weight to the results of the 30-year PVRR analysis?

6 A. Yes.

7 Q. In concluding that more weight should be
8 given to the 30-year analysis, slightly more, or
9 somewhat more than the 15-year, did you take into
10 account any greater likelihood of inaccurate
11 estimates as the time period of the analysis
12 increases?

13 A. When you do a long-term PVRR, once you
14 get out past five or six years the discount rate
15 reduces those numbers significantly anyway, so
16 being worried if the number in year 30 or year 25
17 is correct, it would have such a small -- its cost
18 is such a small factor in the PVRR it's not really
19 -- I didn't really see it as a concern.

20 Q. Now with regard to the propane facility,
21 you were asked questions concerning residential
22 development around that facility. Do you believe

1 that is a factor that should be given any weight?

2 In other words, let's assume there was a
3 residential development within say a mile or a half
4 mile of the facility. Do you believe -- if that
5 were the case, would that affect your position
6 concerning that propane facility? In other words,
7 I'm trying to get an idea if we're right near the
8 facility, if we're a mile away, if we're a half
9 mile, whether that would be a factor that you would
10 give much weight to.

11 A. If the propane plant were in the middle
12 of a residential area, that might be a concern, but
13 a half a mile away I believe would be a sufficient
14 distance away to not consider residential
15 encroachment as a problem.

16 Q. So somewhat less than that you would
17 consider as a possible problem?

18 A. You might start getting concerned if you
19 had a high concentration of residential development
20 within a half a mile.

21 Q. What would constitute a valid
22 demonstration that the propane plant would

1 constitute such a public health risk that it should
2 be retired? I know there was some testimony
3 regarding the number of incidents concerning leaks
4 and/or fires, and I'm trying to get some idea of
5 when you would conclude that the number of
6 incidents were of such magnitude that it would be a
7 public health risk.

8 A. Could you refer me to where I'm talking
9 about that in testimony?

10 Q. In your rebuttal testimony, I think it
11 starts on page 8 in your answer to question 13. I
12 think it just carries over to page 9.

13 A. Okay.

14 Q. You mentioned two --

15 A. Let me try to answer it this way.

16 Q. To shorten it, you mentioned two known
17 occurrences.

18 A. Yes.

19 Q. And you talk about them. I'm just
20 trying to get some idea of when you'd conclude that
21 there were enough occurrences that there would be a
22 public health risk.

1 A. To a certain extent, it would depend
2 upon why it was occurring. For example, the event
3 that occurred in '85 from lightning igniting
4 propane vapors, IP put a lightning protection
5 system up at that time, so that -- concerns with
6 that should be alleviated.

7 The other event was a minor leak in the
8 equipment that is used to transfer the propane into
9 the main tank. It wasn't even the tank itself. I
10 guess when IP started experiencing difficulty with
11 or concerns with the structural integrity of that
12 primary tank would be about the only factor I could
13 see being a public health problem.

14 Q. Okay. For your PVRR analyses that you
15 performed, you did not assume any additional
16 capital expenditures associated with the facilities
17 over the 15 and 30-year periods?

18 A. That's correct.

19 Q. And why did you assume there wouldn't be
20 any additional capital expenditures?

21 A. My analysis was centered on what the
22 cost is to replace it versus what it costs to

1 upgrade it. At that time I did not look into what
2 amount of capital additions may be required in the
3 future. Part of that omission was a lack of any
4 studies on what needed to be done at the facility,
5 if anything.

6 Q. Was that something that you asked
7 Illinois Power to provide? In other words, did you
8 ask them if they performed any studies regarding
9 any capital expenditures that would be needed?

10 A. I asked for all studies that related to
11 support of retiring the facility and was provided
12 with nothing.

13 Q. Okay.

14 A. I did request some historical O&M
15 information, items replaced in the last several
16 years at the plant.

17 Q. I assume you had a chance to review the
18 surrebuttal testimony that Illinois Power presented
19 in this case.

20 A. Briefly.

21 Q. Okay. I'm not going to ask you to
22 respond to that testimony, but I just wanted to ask

1 MR. MACBRIDE: Okay.

2 JUDGE SHOWTIS: Let's come back at 1:30, if
3 that's okay.

4 MR. MACBRIDE: Okay.

5 (Whereupon lunch recess was
6 taken until 1:30 P.M.)

7 A F T E R N O O N S E S S I O N

8 (Whereupon IP Exhibits
9 Revised 1.3, 1.4, and 2.7
10 were marked for
11 identification.)

12 JUDGE SHOWTIS: Back on the record.

13 MR. MACBRIDE: If you'd like to look at
14 Mr. Starbody's exhibits to see.

15 JUDGE SHOWTIS: Okay.

16 MR. MACBRIDE: The only piece where we had
17 anything marked as confidential was the rebuttal
18 testimony and exhibits, 3.2.

19 JUDGE SHOWTIS: Right.

20 MR. MATRISCH: I'm sorry. Did you say 3.2?

21 MR. MACBRIDE: Yes.

22 MR. MATRISCH: Thanks.

1 MR. MACBRIDE: And the first items are on page
2 8.

3 JUDGE SHOWTIS: Okay.

4 MR. MACBRIDE: Actually, to make this simple,
5 in the actual testimony itself, IP Exhibit 3.2,
6 nothing that's marked as highly confidential needs
7 to be maintained as confidential.

8 JUDGE SHOWTIS: Okay. You're referring now to
9 page 8, but the rest of the testimony.

10 MR. MACBRIDE: Correct.

11 MS. BUELL: Is anything confidential in
12 Exhibit 3.2?

13 MR. MACBRIDE: No.

14 MS. BUELL: Oh, okay.

15 MR. MACBRIDE: So if you go to IP Exhibit 3.4.

16 JUDGE SHOWTIS: Okay.

17 MR. MACBRIDE: This would be similar to what
18 we did with Mr. Lounsberry's schedules. The
19 reservation cost savings, 6,145, the commodity cost
20 calculation, 4,311, and the total gas cost savings
21 of 1,835, those would all be public, and then all
22 the other information on the exhibit would be

1 maintained as highly confidential.

2 JUDGE SHOWTIS: So it would just be the three
3 figures then on the public version.

4 MR. MACBRIDE: Right.

5 JUDGE SHOWTIS: Okay.

6 MR. MACBRIDE: On Revised Exhibit 3.5.

7 JUDGE SHOWTIS: Okay.

8 MR. MACBRIDE: The column labeled Total Cost
9 would be public, and the rest of the information on
10 the exhibit would be confidential.

11 JUDGE SHOWTIS: That's it then?

12 MR. MACBRIDE: Yes.

13 JUDGE SHOWTIS: Okay. You can take the stand,
14 Mr. Starbody.

15 FRANK A. STARBODY

16 called as a witness on behalf of Illinois Power
17 Company, having been first duly sworn, was examined
18 and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. MACBRIDE:

21 Q. Would you please state your name,
22 business address, and present position for the

1 record?

2 THE WITNESS:

3 A. Frank Starbody, Senior Director -
4 Customer Value Management, Illinois Power Company,
5 50027th Street, Decatur, Illinois 62525.

6 Q. Have you prepared certain testimony and
7 exhibits you wish to offer in this docket?

8 A. Yes.

9 Q. Do you have before you a copy of a
10 document that's been marked for identification as
11 IP Exhibit 3.1 and is captioned Direct Testimony of
12 Frank A. Starbody?

13 A. Yes.

14 Q. Does that exhibit consist of eight pages
15 of questions and answers?

16 A. Yes.

17 Q. Is IP Exhibit 3.1 the prepared direct
18 testimony you wish to offer in this case?

19 A. Yes.

20 Q. Do you have any corrections or changes
21 to make to that exhibit?

22 A. No.

1 Q. If I were to ask you the questions shown
2 on IP Exhibit 3.1 today at this hearing, would you
3 give the same answers that are shown on that
4 exhibit?

5 A. Yes.

6 Q. Do you also have before you a copy of a
7 document that's been marked for identification as
8 IP Exhibit 3.2 captioned Rebuttal Testimony of
9 Frank A. Starbody?

10 A. Yes.

11 Q. Does that document consist of 19 pages
12 of questions and answers?

13 A. Yes.

14 Q. Is IP Exhibit 3.2 the rebuttal testimony
15 you wish to offer in this case?

16 A. Yes.

17 Q. Do you have any corrections or changes
18 to make to that exhibit?

19 A. No.

20 Q. If I were to ask you the questions shown
21 on IP Exhibit 3.2 at this hearing, would you give
22 the same answers that are shown on that exhibit?

1 A. Yes.

2 Q. And do you have before you copies of
3 documents that have been marked for identification
4 as IP Exhibits 3.3, 3.4 , and Revised 3.5?

5 A. Yes.

6 Q. And Exhibits 3.4 and Revised 3.5 are
7 submitted in both public and proprietary forms?

8 A. Correct.

9 Q. Were these exhibits prepared under your
10 supervision and direction?

11 A. Yes.

12 Q. Are they identified and discussed in
13 your prepared rebuttal testimony?

14 A. Yes.

15 Q. Do you have any corrections or changes
16 to make to any of those exhibits?

17 A. No.

18 Q. Do you also have before you a document
19 that's been marked for identification as IP Exhibit
20 3.6 bearing the caption Prepared Surrebuttal
21 Testimony of Frank A. Starbody?

22 A. Yes.

1 Q. Does that document consist of 27 pages
2 of questions and answers?

3 A. Yes.

4 Q. Is IP Exhibit 3.6 the surrebuttal
5 testimony that you wish to offer in this
6 proceeding?

7 A. Yes.

8 Q. Do you have any corrections or changes
9 to make to that testimony?

10 A. No.

11 Q. If I asked you the same questions today
12 at this hearing that are shown on IP Exhibit 3.6,
13 would you give the same answers that are shown on
14 that exhibit?

15 A. Yes.

16 Q. Finally, do you have before you copies
17 of documents that have been marked for
18 identification as IP Exhibits 3.7 through 3.18?

19 A. Yes.

20 Q. Were these exhibits prepared under your
21 supervision and direction?

22 A. Yes.

1 through 3.4, Revised 3.5,
2 and 3.6 through 3.18,
3 inclusive, were received
4 into evidence.)

5 JUDGE SHOWTIS: Mr. MacBride, will you be
6 providing a copy to the Reporter? The ones that --
7 let's go off the record.

8 (Whereupon at this point in
9 the proceedings an
10 off-the-record discussion
11 transpired.)

12 JUDGE SHOWTIS: Let's go back on the record.

13 The only exhibits so far that have been
14 admitted into the record for which the Reporter has
15 marked a copy are Staff Exhibits 1.0 and 3.0. The
16 remaining exhibits which are admitted are to be
17 refiled on e-Docket, so it's not necessary for a
18 copy to be given to the Reporter.

19 And I'll double-check before the hearing
20 on Tuesday, you know, whether the dockets have been
21 filed on e-Docket -- or whether the exhibits have
22 been filed on e-Docket. So if the parties can

1 attempt to have them refiled by that date, that
2 would help me having to constantly check to see if
3 they're there.

4 MS. BUELL: We'll certainly try.

5 JUDGE SHOWTIS: Does Staff have cross -
6 examination of Mr. Starbody?

7 MS. BUELL: Yes, Your Honor, Staff does have
8 some cross for Mr. Starbody.

9 CROSS EXAMINATION

10 BY MS. BUELL:

11 Q. Good afternoon, Mr. Starbody. I'm Linda
12 Buell. I represent Staff witnesses in this
13 proceeding.

14 I was wondering if first we could talk
15 about your rebuttal and your surrebuttal testimony
16 where you discuss the Freeburg propane plant
17 retirement. Have you ever been to the site of the
18 Freeburg propane plant?

19 A. Yes.

20 Q. Approximately how many times would you
21 say you've been there?

22 A. I started with Illinois Power in '92.

1 Probably three, three to four times a year.

2 Q. And, if you can generalize, what was the
3 purpose of those visits?

4 A. Generally for safety meetings.

5 Q. And would you know approximately when
6 your last visit to the Freeburg propane plant was?

7 A. Yes. It was September of last year.

8 Q. Of 2000.

9 A. Correct.

10 Q. Were you personally involve in the
11 decision to retire the Freeburg propane plant?

12 A. Yes.

13 Q. I refer you to lines 90 through 91 of
14 your rebuttal testimony. You say there that we
15 based our decision on consideration of the factors
16 I listed earlier. Could you tell me who, besides
17 yourself, you mean when you say we?

18 A. Illinois Power does not work in a
19 vacuum. We work -- we have a lot of employees that
20 work at the plant. We take their advice into
21 consideration as well as the technical advice of
22 those who work in gas supply, which would include

1 engineering and storage expertise.

2 Q. Specifically I was wondering if you
3 could tell me the names of the individuals besides
4 yourself who were involved in the decision to
5 retire the plant.

6 A. It was a joint decision from myself, my
7 supervisor at the time which was Bill McKinney, and
8 of course the employees at the Freeburg facility
9 themselves and the supervisor of those employees,
10 Bob Barcum.

11 Q. You stated in your testimony several
12 reasons why the decision was made for retiring the
13 Freeburg propane plant. Is it correct that one of
14 the reasons for retiring the plant was the
15 encroachment of new residential development?

16 A. Yes.

17 Q. Would it be correct to say that the
18 encroachment of new residential development was a
19 significant factor in the decision to retire the
20 plant?

21 A. The main reasons for the retirement of
22 the plant were safety and reliability.

1 Q. If you'd take a look at your rebuttal
2 testimony, page 5, lines 92 through 94, you say,
3 further, the safety issues associated with the
4 residential areas that were developing around the
5 plant were a significant factor in the decision to
6 retire the plant.

7 A. I'm sorry. You mean my surrebuttal?

8 Q. No, this is in your rebuttal, page 5 of
9 19.

10 A. Okay. And what line? I'm sorry.

11 Q. Starting on line 92, you say the safety
12 issues associated with the residential areas that
13 were developing around the plant were a significant
14 factor in the decision to retire the plant. Is
15 that consistent with your answer to my prior
16 question? Was it the safety reasons or the mere
17 presence of the residential community there?

18 A. I think the mere presence creates a
19 safety concern for us.

20 Q. But your testimony indicates that it was
21 a significant factor in the decision to retire the
22 plant. Is that correct?

1 A. I think that's correct.

2 Q. Okay. Would it also be correct to say
3 that the encroachment of the new residential
4 development as a significant factor was based on
5 the mere likelihood that development would move
6 closer to the site over the next ten to fifteen
7 years?

8 A. I think the trend of the community
9 surrounding the 800,000 gallon sphere was certainly
10 a consideration.

11 Q. What do you mean by the trend?

12 A. We've seen the population of the town of
13 Smithton and Gillespie -- or Smithton and Freeburg,
14 I'm sorry, grow since 1970.

15 Q. Now Staff sent a data request to IP
16 requesting an aerial map of the Freeburg area. Is
17 that correct?

18 A. That's correct.

19 Q. In that data request Staff asked for the
20 location of the propane facility, the storage
21 field, the communities of Freeburg and Smithton,
22 all major roads within the area, and all new

1 residential development. Is that correct?

2 A. That's correct.

3 Q. We're going to show you what's been
4 marked as ICC Staff Cross Exhibit 1. It consists
5 of one page of text and two maps.

6 (Whereupon ICC Staff Cross
7 Exhibit 1 was marked for
8 identification.)

9 MR. MACBRIDE: We object unless this map is
10 filed on e-Docket.

11 (Laughter)

12 MS. BUELL: Actually we did provide a copy to
13 the Court Reporter of the map, the maps that were
14 provided to us. In addition, we mounted our copy.

15 Q. Mr. Starbody, do you recognize ICC Staff
16 Cross Exhibit 1?

17 A. Yes.

18 Q. Can you describe to us what it is,
19 please?

20 A. It looks to be the map that we gave you
21 guys, and you put it on cardboard.

22 Q. And these two maps were sent by you or

1 sent to Staff under your direction. Is that
2 correct?

3 A. That's correct.

4 Q. Could you please show us on the map
5 where the Freeburg propane plant is located?

6 A. Right here.

7 JUDGE SHOWTIS: That may not work too well for
8 the transcript.

9 THE WITNESS: Oh, I'm sorry.

10 JUDGE SHOWTIS: You might have to generally
11 describe where it is because if the transcript says
12 right here, it really won't have much meaning.

13 THE WITNESS: I apologize. It's in the middle
14 of this one-mile radius circle located in the lower
15 quadrant of the cardboard.

16 Q. In relation to the Freeburg propane
17 plant, would you please describe where the
18 wellheads and associated piping are located?

19 A. They are located, as you can -- the
20 purple, green, and -- as you can tell by the --
21 these are the wellheads, these marked areas.

22 Q. Surrounding the plant.

1 A. Correct. These are the underground
2 storage wells for the storage facility, the
3 underground storage facility.

4 Q. And in relation to the plant, would you
5 please indicate where the community of Freeburg is
6 located?

7 A. It's approximately two, two and a half
8 miles up here.

9 JUDGE SHOWTIS: And when you say up here,
10 could you give the direction.

11 A. Oh, I'm sorry. Which would be south
12 actually of the site, or is it north? No, it's
13 south I believe of the site.

14 Q. So, once again, just to make clear.

15 A. Thank you.

16 Q. Freeburg is located to the north of the
17 propane plant.

18 A. That's correct, yes.

19 Q. Would you please indicate where the
20 community of Smithton is located?

21 A. The community of Smithton would actually
22 be right here. Unfortunately, it's not shown on

1 the map. It's just outside the --

2 Q. Would that be to the west of the propane
3 plant?

4 A. I believe that's correct.

5 Q. And the major roads in the area are
6 located where?

7 A. The major road runs right down the
8 middle of the cardboard, and then there's another
9 road that runs between Freeburg and Smithton.

10 Q. Now you've indicated that the
11 encroaching new residential development was a
12 significant factor in the Company's decision to
13 retire the plant. Would you indicate where on the
14 map that encroaching new residential development is
15 located?

16 A. Well, I believe this map is dated in
17 '97, if I'm not mistaken, April 3, 1997, so it's
18 not quite accurate, but we certainly have seen
19 going to -- going to the north here, we've
20 certainly seen encroachment of the town of Freeburg
21 coming down here into this area.

22 JUDGE SHOWTIS: Why don't you kind of indicate

1 what you mean by down here.

2 A. Okay. We're seeing some rezoning in
3 this area, probably within two, two and a half
4 miles of the facility itself, and we've certainly
5 seen a large increase in the population of
6 Smithton, which I believe is where Staff testimony
7 indicated that there was some new development, and
8 between the town of Smithton and the plant itself
9 we had one of our operators run out there and run
10 that road, and there's about 27 homes, so we have
11 some real concern about the safety of the area.

12 Q. Now the area to the north of the propane
13 plant, has that been rezoned recently to
14 commercial?

15 A. That's my understanding, yes.

16 Q. But not residential.

17 A. No. It was previously farm land, as you
18 can tell here. As I mentioned in my testimony,
19 this is really a growing area and a bedroom
20 community of St. Louis.

21 Q. Mr. Starbody, you mentioned that there
22 were approximately 27 residences to the west of the

1 propane plant. Could you tell me how far away from
2 the propane plant those residences are located?

3 A. I believe we have approximately eight
4 within a mile, another eight within about two
5 miles, and then the rest are before you get to the
6 development that was in the Staff testimony.

7 Q. And is it correct that the map that is
8 up there now only shows the one-mile radius around
9 the facility?

10 A. In the circle area, yes.

11 MS. BUELL: Staff moves for admission into
12 evidence of Staff Cross Exhibit 1.

13 MR. MACBRIDE: No objection.

14 JUDGE SHOWTIS: Staff Cross Exhibit 1 is
15 admitted.

16 (Whereupon Staff Cross
17 Exhibit 1 was received into
18 evidence.)

19 Q. Mr. Starbody, I now refer you to the
20 discussions in your rebuttal and surrebuttal
21 testimony concerning the Gillespie storage field
22 retirement. Have you ever been to the site of the

1 Gillespie storage field?

2 A. Yes, I have.

3 Q. Approximately how many times would you
4 say you've been there?

5 A. Oh, probably once in the past -- once
6 per year in the past three or four years.

7 Q. And, in general, what was the purpose of
8 those visits?

9 A. Generally it was just to make sure it's
10 still there and to get out in the field, something
11 I like to do, to get out in the field with those
12 who have to deal with those assets and to make sure
13 they're safe and reliable because sometimes you
14 forget to think about those things when you're
15 sitting at your desk.

16 Q. Approximately when was the last time
17 that you visited the Gillespie storage field?

18 A. I would say approximately two years ago.

19 Q. And were you personally involved in the
20 decision to retire the Gillespie storage field?

21 A. Yes.

22 Q. Now in your discussion of the Gillespie

1 storage field retirement you refer to "we" many
2 times. I was wondering if you could tell me who
3 specifically besides yourself was involved in the
4 decision to retire the Gillespie storage field.

5 A. Again, I would say -- since it's an
6 unmanned facility, there was no involvement from
7 anybody that works there because there's nobody
8 there, but certainly Bob Barcum who I mentioned
9 earlier and Bill McKinney, along with the technical
10 expertise of our engineering group.

11 Q. Mr. Starbody, we're going to show you
12 what's been marked as ICC Staff Cross Exhibit 2.

13 (Whereupon ICC Staff Cross
14 Exhibit 2 was marked for
15 identification.)

16 Do you recognize this document?

17 A. Yes.

18 Q. Can you describe to me what it is?

19 A. This is a data request with response.
20 Do you want me to read it?

21 Q. Is it correct that it's Staff Data
22 Request ENG-2.113 that was sent to Illinois Power?

1 A. Yes.

2 Q. Was the response prepared by you or
3 under your direction?

4 A. Yes.

5 Q. Is it correct that the Company was asked
6 in Staff Data Request ENG 2.113 what actions it
7 took at the Gillespie storage field during the
8 reconciliation period?

9 A. Would you like me to read the question?

10 Q. No, you can just answer the question yes
11 or no.

12 MR. MACBRIDE: Read the question back, please.

13 Q. Is it correct that the Company was asked
14 in Staff Data Request ENG-2.113 what actions it
15 took at the Gillespie storage field during the
16 reconciliation period?

17 A. I believe that's correct.

18 Q. Is it correct that the Company responded
19 that IP depleted the inventory, produced all
20 cushion gas that could be recovered, plugged the
21 wells, and abandoned the storage field?

22 A. Correct.

1 Q. And is it also correct that the Company
2 responded that due to the age and condition of the
3 plant, as well as the small volume of the plant,
4 supply alternatives were less costly than upgrading
5 the plant to meet safety and code standards?

6 A. Correct.

7 MS. BUELL: Your Honor, I move for admission
8 into evidence ICC Staff Cross Exhibit 2.

9 MR. MACBRIDE: No objection.

10 JUDGE SHOWTIS: That exhibit is admitted.

11 (Whereupon ICC Staff Cross
12 Exhibit 2 was received into
13 evidence.)

14 Q. Mr. Starbody, we're going to show you
15 what's been marked as ICC Staff Cross Exhibit 3.

16 (Whereupon ICC Staff Cross
17 Exhibit 3 was marked for
18 identification.)

19 Do you recognize this document?

20 A. Yes.

21 Q. Can you tell me what it is?

22 A. It's Staff Data Request 2.191.

1 Q. Was the Company's response prepared by
2 or under your direction?

3 A. Yes.

4 Q. And is it correct that the Company was
5 asked in Staff Data Request ENG-2.191 to identify
6 the major components located at the Gillespie
7 storage field?

8 A. Correct.

9 Q. And is it correct that the Company
10 responded that the storage field was a dry gas
11 field and that the major components were seven
12 injection /withdrawal wells, one dehy, D-E-H-Y,
13 tower, one reboiler, one compressor, one separator,
14 one supply pipeline, two meters, type of meter was
15 orifice meter? Is that correct?

16 A. That's correct.

17 Q. Could you tell me what equipment from
18 that list still remains at the Gillespie storage
19 field?

20 A. No, I could not.

21 MS. BUELL: Your Honor, I move for admission
22 into evidence ICC Staff Cross Exhibit 3.

1 MR. MACBRIDE: No objection.

2 JUDGE SHOWTIS: That exhibit is admitted.

3 (Whereupon ICC Staff Cross
4 Exhibit 3 was received into
5 evidence.)

6 Q. Mr. Starbody, I refer you to your
7 rebuttal testimony, page 8, lines 161 through 164.
8 Is it correct that you use the costs from an
9 upgrade project at the Shanghai storage field to
10 estimate the cost to update the Gillespie storage
11 field?

12 A. No. We used the cost of the South
13 Shanghai station, which is part of the Shanghai
14 storage field.

15 Q. Mr. Starbody, we're going to show you
16 what's been marked as ICC Staff Cross Exhibit 4.

17 (Whereupon ICC Staff Cross
18 Exhibit 4 was marked for
19 identification.)

20 Do you recognize this document?

21 A. Yes.

22 Q. Could you please describe what it is?

1 A. Staff Data Request 2.190.

2 Q. And was the response prepared by you or
3 under your direction?

4 A. Yes.

5 Q. Is it correct that Staff Data Request
6 ENG-2.190 asked for the major components located at
7 the Shanghai storage field?

8 A. Yes.

9 Q. And is it correct that the Company
10 responded that the major components were -- of the
11 Shanghai aquifer storage field were eight injection
12 /withdrawal wells, eleven monitoring wells, no
13 disposal wells, two dehy towers, two reboilers, one
14 compressor (does not include the south compressor),
15 two separators, one moisture analyzer, three supply
16 pipelines, seven meters, and the type of meter was
17 turbine? Is that correct?

18 A. That's correct.

19 MS. BUELL: Your Honor, I move for admission
20 into evidence ICC Staff Cross Exhibit 4.

21 MR. MACBRIDE: No objection.

22 JUDGE SHOWTIS: That exhibit is admitted.

1 (Whereupon ICC Staff Cross
2 Exhibit 4 was received into
3 evidence.)

4 MS. BUELL: I'd like to ask you some questions
5 about gas purchasing activity. Now some of the DR
6 responses that I want to talk about have been
7 marked as highly confidential.

8 Q. Mr. Starbody, we're going to show you
9 what has been marked as ICC Staff Cross Exhibit 5,
10 and it has been marked as confidential, actually
11 highly confidential, unless it's no longer
12 considered confidential by the Company.

13 MR. MACBRIDE: One moment, please.

14 Maybe this doesn't make any difference.
15 The cover sheet to the response is not
16 confidential, but the attachment, the two-page
17 attachment would still be highly confidential, so
18 if that means you want to identify the whole
19 exhibit as highly confidential.

20 MS. BUELL: We're not going to get into
21 specific amounts.

22 JUDGE SHOWTIS: But if you're offering --

1 again, are you offering this exhibit?

2 MS. BUELL: Yes.

3 MR. MACBRIDE: Well, the nature of the
4 questions that are going to be asked then whether
5 we need to go in camera is a separate issue.

6 JUDGE SHOWTIS: Right.

7 MR. MACBRIDE: But I'm just addressing the
8 exhibit here, and the Company would maintain that
9 this exhibit is -- continues to be highly
10 confidential.

11 MS. BUELL: Then, yes, we need to designate it
12 as highly confidential.

13 JUDGE SHOWTIS: It will be called Proprietary
14 Staff Cross Exhibit 5. It will obviously be
15 separate from the documents that will be available
16 to the public, and I don't think we need to -- we
17 won't draw a distinction between the first page and
18 the last two pages. The whole exhibit will be
19 considered proprietary.

20 MR. MACBRIDE: All right.

21 (Whereupon Proprietary ICC
22 Staff Cross Exhibit 5 was

1 marked for identification.)

2 MS. BUELL:

3 Q. Mr. Starbody, do you recognize this
4 document?

5 A. Staff Data Request 2.35.

6 Q. Could you briefly describe what it is
7 for us?

8 A. It's a data request from the Staff
9 asking for firm supply contracts entered into
10 during the reconciliation period.

11 Q. Was the response prepared by you or
12 under your direction?

13 A. Yes.

14 Q. Is it correct that in response the
15 Company attached a summary of bids received and
16 contracts awarded for the November 2000 through
17 March 2001 winter period?

18 A. That's correct.

19 Q. And is it also correct that the
20 Company's response breaks out the contract
21 comparisons into the various pipeline delivery
22 points and for each of those delivery points shows

1 what the Company believes is the best bid first
2 followed by the other bids in order of what the
3 Company believes is the best bid?

4 A. That's correct.

5 Q. And is it also correct that during the
6 reconciliation period the basis used by IP for
7 entering into firm gas supply contracts was to
8 select the gas supply contract that provided the
9 lowest reservation cost?

10 A. Yes.

11 MR. MACBRIDE: Excuse me. Could you read the
12 question back, please?

13 MS. BUELL: Do you want me to?

14 MR. MACBRIDE: No, the Reporter can read it
15 back.

16 (Whereupon the requested
17 portion of the record was
18 read back by the Court
19 Reporter.)

20 A. Yes. I think there is one exception to
21 this rule in the response, as is mentioned, but
22 simply on reservation cost it's probably not quite

1 accurate. We do make sure that the suppliers we do
2 bid through are reliable suppliers before we even
3 give them a chance to bid.

4 MS. BUELL: Your Honor, I move for admission
5 into evidence ICC Staff Cross Exhibit 5 Privileged.

6 JUDGE SHOWTIS: Proprietary.

7 MS. BUELL: Proprietary, or is it Proprietary
8 ICC Staff Cross Exhibit 5?

9 JUDGE SHOWTIS: That's better.

10 MR. MACBRIDE: I have no objection.

11 JUDGE SHOWTIS: Okay. That exhibit is
12 admitted into evidence.

13 (Whereupon Proprietary ICC
14 Staff Cross Exhibit 5 was
15 received into evidence.)

16 MS. BUELL:

17 Q. Mr. Starbody, I refer you to pages 12
18 and 13 of your rebuttal testimony, question and
19 answer 24, pages 12 through 13. There you discuss
20 why selecting firm supply reservation contracts on
21 the basis of lowest reservation fees only is a
22 prudent practice. In your opinion, is this always

1 true or could there be a situation when selecting
2 firm supply reservation contracts on the basis of
3 lowest reservation fees only would not be prudent?

4 A. I think in today's environment this is
5 probably always true, and by today's environment I
6 mean the market is not as basis sensitive as it
7 used to be. We've seen a major change in the
8 marketplace. Gas from Kansas is not always the
9 cheapest gas versus gas from Texas. Gas in Texas
10 is not always cheaper than gas in Louisiana or the
11 gulf. On any given day gas can be sold at the same
12 price at any location or in varying degrees of
13 prices throughout those locations, so looking at
14 that strictly on a reservation fee, it's probably
15 the most appropriate, or not probably; it is the
16 most appropriate based on the marketplace that we
17 face today.

18 Q. Okay.

19 Mr. Starbody, we're now going to show
20 you what's been marked as ICC Staff Cross Exhibit
21 6, and I believe it should be marked as Proprietary
22 ICC Staff Cross Exhibit 6.

1 MR. MACBRIDE: Yes, we agree with that.

2 (Whereupon Proprietary ICC
3 Staff Exhibit 6 was marked
4 for identification.)

5 Q. Mr. Starbody, do you recognize this
6 document?

7 A. Staff Data Request 2.67.

8 Q. Was the response prepared by you or
9 under your direction?

10 A. Yes.

11 Q. And is it correct that Staff Data
12 Request ENG 2.67 requested a summary for calendar
13 years 1998 through 2000 of the five natural gas
14 suppliers that provided the most gas to IP for each
15 of those years?

16 A. Yes.

17 Q. And would you agree that the names on
18 the list for 1998 are the same names that appear on
19 the list for 1999, just in a different order?

20 A. Yeah, with one exception. The Noram/MEM
21 issue, there's been a lot of mergers and
22 acquisitions in the business, and that is an

1 example of one; Reliant.

2 Q. But it's the same company, isn't it?

3 A. It is today, yes.

4 Q. Would you also agree that four out of
5 the five names on the 2000 list also appear on the
6 1998 and 1999 lists?

7 A. Correct.

8 Q. If I were to ask you the name of the
9 company on the 2000 list that differs from the
10 companies on the 1998 and 1999 lists, would you be
11 able to provide me with that information in a
12 public format?

13 A. The names that are not on the '99 and
14 the names that are on the 2000?

15 Q. Yes.

16 A. You're asking me to disclose --

17 Q. The company's name.

18 A. -- pricing and volumes?

19 Q. No, just the company name.

20 A. With regard to the percentage?

21 Q. No. Just the name of the company.

22 A. I'm sorry. Would you --

1 Q. Even if --

2 JUDGE SHOWTIS: She wants to know the company
3 listed in the year 2000 that's not listed in 1999.

4 MS. BUELL: Or 1998.

5 JUDGE SHOWTIS: Or 1998.

6 Q. And I'm concerned that if you say the
7 name of that company, it would be disclosing
8 something that's proprietary, so before I ask you
9 that question I want to know if you disclose that
10 name to me, is that proprietary information?

11 A. No.

12 Q. Okay. Then could you tell me the name
13 of the company that's on the 2000 list that is not
14 on the 1998 or 1999 lists?

15 A. Dynegy Marketing and Trade.

16 Q. Is Dynegy Marketing and Trade an
17 affiliate of IP?

18 A. Illinois Power is an affiliate of
19 Dynegy.

20 MS. BUELL: Your Honor, I move for admission
21 into evidence ICC Staff Cross Exhibit 6
22 Proprietary.

1 MR. MACBRIDE: I have an objection. I don't
2 see the relevance of this exhibit to the issues in
3 the case.

4 MS. BUELL: Staff believes that the fact that
5 Dynegy Marketing and Trade appears in the year 2000
6 and does not appear in the two prior years is a
7 significant factor.

8 MR. MACBRIDE: Well, Staff may think that, but
9 at this point, after the filing of several rounds
10 of testimony, there's three or four very specific
11 issues in this case, and I don't see -- without
12 further explanation, I don't see that that
13 particular information or the other information on
14 this exhibit is relevant, and if the only point
15 that counsel wants to make for the record is that
16 Dynegy Marketing and Trade is one of the top five
17 suppliers in 2000 but not the prior two years,
18 that's already been elicited through the
19 cross-examination questions, so the exhibit itself
20 wouldn't add any information.

21 MS. BUELL: Actually, Staff would like to use
22 the information in its discussion of lowest

1 reservation fees.

2 MR. MACBRIDE: Well, I guess I still don't see
3 the relevance of these percentages to that issue.
4 Lowest reservation fees as presented in this case
5 is based on specific contracts, choices versus
6 other bidders that we have detailed exhibits that
7 are already in the record that show the specific
8 contracts and who the other bidders were, so I
9 don't know what the percentage of the top five
10 suppliers in 1998 or 1999 has any relevance to that
11 issue.

12 MS. BUELL: Well, more than the percentage
13 involved, Staff is interested in the names of the
14 various suppliers for those years.

15 JUDGE SHOWTIS: So if I understand, Staff may
16 in their briefs reference who suppliers were in
17 1998 and 1999 versus 2000?

18 MS. BUELL: That's correct.

19 JUDGE SHOWTIS: And it's not going to get into
20 the percentages?

21 MS. BUELL: Correct.

22 MR. MACBRIDE: My objection didn't go to the

1 confidential nature of the information. It went to
2 the relevance of any of this information and
3 certainly the relevance of the 1998 and 1999
4 information to any of the issues that have been
5 raised in this case by Staff in their prefiled
6 testimony.

7 MS. BUELL: Well, we've discussed selecting
8 firm supply reservation contracts on the basis of
9 lowest reservation fees only throughout our
10 testimony. It's not a new issue.

11 MR. MACBRIDE: Well, but there's nothing on
12 this exhibit that provides any information relevant
13 to that issue.

14 MS. BUELL: We believe the names of the
15 companies do provide relevant information.

16 MR. MACBRIDE: There's been no Staff testimony
17 about any purchasing in 1998 or '99 or any
18 comparisons of '98 and '99 to prior years -- or
19 excuse me -- 2000 to prior years. So this, in
20 fact, appears to me to be an effort to raise some
21 new issue here that the Staff hasn't put in their
22 testimony and the Company hasn't had any

1 opportunity to respond to.

2 JUDGE SHOWTIS: I have to agree with
3 Mr. MacBride. I think it's already established in
4 the record that Dynegy Marketing and Trade is one
5 of the five natural gas suppliers that supplied the
6 Company with the most natural gas supplies in 2000
7 and that that entity was not one of the five such
8 suppliers in 1998 and 1999, and it's also in the
9 record that the suppliers in 1998 and 1999 were --
10 those five were the same companies, so I really
11 don't see the relevance or the need to get this
12 exhibit into evidence.

13 MS. BUELL: As long as that information is in
14 the record.

15 JUDGE SHOWTIS: It's already in the record, so
16 Proprietary ICC Staff Cross Exhibit 6 is not
17 admitted.

18 MS. BUELL:

19 Q. Mr. Starbody, we're now going to show
20 you what has been marked as ICC Staff Cross Exhibit
21 7.

22 (Whereupon ICC Staff Cross

1 Exhibit 7 was marked for
2 identification.)

3 Can you tell us what this document is?

4 A. Staff Data Request 2.186.

5 Q. And is the response prepared by you or
6 under your direction?

7 A. Yes.

8 Q. And is it correct that the Company was
9 asked in Staff Data Request ENG-2.186 to provide
10 the annual operation and maintenance expenses
11 associated with the Freeburg propane plant for the
12 period 1998 through 2000?

13 A. Correct.

14 Q. And could you describe to me how the
15 Company responded?

16 A. We listed the year '98, '99, and 2000,
17 listed the O&M, listed the capital, and listed the
18 retirement for each year.

19 Q. Mr. Starbody, could you please explain
20 to me what the column Retirement means?

21 A. That is the cost associated with
22 retirement of some of the equipment.

1 Q. Is this based on remaining book life,
2 book value?

3 A. I don't know the answer to that.

4 MS. BUELL: Your Honor, I move for admission
5 into evidence ICC Staff Cross Exhibit 7.

6 MR. MACBRIDE: No objection.

7 JUDGE SHOWTIS: That exhibit is admitted.

8 (Whereupon ICC Staff Cross
9 Exhibit 7 was received into
10 evidence.)

11 Q. Mr. Starbody, we're now going to show
12 you what has been marked as ICC Staff Cross Exhibit
13 8.

14 (Whereupon ICC Staff Cross
15 Exhibit 8 was marked for
16 identification.)

17 Do you recognize this document?

18 A. Staff Data Request 2.8.

19 Q. And was the response prepared by you or
20 under your direction?

21 A. Yes.

22 Q. And is it correct that the Company was

1 asked in Staff Data Request ENG-2.8 about testing
2 the operation of its propane or LNG facilities?

3 A. Correct.

4 Q. And is it correct that Illinois Power
5 responded that it tested components such as pumps
6 and heaters for proper operations of propane plant
7 facilities, but did not perform a full-run test,
8 and that during 2000 IP had a glycol /water pump
9 rebuilt and replaced relief valves on the two
10 propane storage vessels? Is that correct?

11 A. That's correct.

12 MS. BUELL: Your Honor, I move for admission
13 into evidence ICC Staff Cross Exhibit 8.

14 MR. MACBRIDE: No objection.

15 JUDGE SHOWTIS: That exhibit is admitted.

16 (Whereupon ICC Staff Cross
17 Exhibit 8 was received into
18 evidence.)

19 Q. Mr. Starbody, we're now going to show
20 you what has been marked as ICC Staff Cross Exhibit
21 9.

22 (Whereupon ICC Staff Cross

1 Exhibit 9 was marked for
2 identification.)

3 Do you recognize this document?

4 A. Staff Data Request 2.100.

5 Q. Was the response prepared by you or
6 under your direction?

7 A. Yes.

8 Q. And is it correct that the Company was
9 asked in Staff Data Request ENG-2.100 why certain
10 work was performed on the propane plant given the
11 decision to retire the facility?

12 A. Correct.

13 Q. Could you summarize for me how the
14 Company responded?

15 A. This is the minimal amount of work
16 necessary to maintain a safe and reliable facility.

17 Q. And that includes the glycol/water pump
18 rebuild that was performed to ensure that
19 circulation was maintained to propane vaporizers so
20 that existing propane inventory could be produced
21 and utilized.

22 A. Correct.

1 Q. And the relief valves were replaced to
2 meet NFPA 59 code requirements of testing the
3 valves every five years, and the two propane
4 storage vessels had either propane vapor or propane
5 liquid in 2000 so the code requirements were still
6 applicable. Is that correct?

7 A. That's correct.

8 MS. BUELL: Your Honor, I move for admission
9 into evidence ICC Staff Staff Cross Exhibit 9.

10 MR. MACBRIDE: No objection.

11 JUDGE SHOWTIS: That exhibit is admitted.

12 (Whereupon ICC Staff Cross
13 Exhibit 9 was received into
14 evidence.)

15 Q. Mr. Starbody, we're now going to show
16 you what has been marked as ICC Staff Cross Exhibit
17 10.

18 (Whereupon ICC Staff Cross
19 Exhibit 10 was marked for
20 identification.)

21 A. Staff Data Request 2.183.

22 Q. Is the Company's response prepared by

1 you or under your direction?

2 A. Yes.

3 Q. And is it correct that the Company was
4 asked in Staff Data Request ENG-2.183 what other
5 upgrades, improvements, and overhauls IP had
6 conducted at its Freeburg facility during the
7 period 1995 through 2000?

8 A. Yes.

9 Q. And is it correct that the Company
10 responded with a list for the years 1995 through
11 2000?

12 A. Correct.

13 MS. BUELL: Your Honor, I move for admission
14 into evidence ICC Staff Cross Exhibit 10.

15 MR. MACBRIDE: Just one moment.

16 (Brief pause in the proceedings.)

17 No objection.

18 JUDGE SHOWTIS: That exhibit is admitted.

19 (Whereupon ICC Staff Cross
20 Exhibit 10 was received into
21 evidence.)

22 Q. Mr. Starbody, I now refer you to your

1 surrebuttal testimony, IP Exhibit 3.6, page 6,
2 lines 126 through 131, where you list several items
3 for upgrade at the Freeburg facility. Now did you
4 or someone under your direction conduct a study
5 indicating the need to repair or replace each of
6 these items?

7 A. We didn't do any individual studies on
8 individual pieces of equipment. We just recognized
9 the concern for reliability and the capital
10 improvements that would be needed for these
11 particular items.

12 Q. In lines 128 through 131 you mentioned
13 that insulation of the 90,000 gallon transfer tank.
14 Is this tank currently insulated?

15 A. The 900,000 -- or the 90,000 gallon tank
16 you're referring to.

17 Q. Correct.

18 A. Is currently not insulated, but if we do
19 any upgrades, it will be falling under new code
20 requirements which will require it to be insulated.

21 Q. Is the insulation required for liquids
22 in the tank or vapor?

1 A. For the 90,000 gallon tank?

2 Q. Correct.

3 A. That is the tank that takes the propane
4 out of the truck. The truck goes into that tank
5 before it goes into the 800,000 gallon tank. The
6 800,000 gallon tank is currently insulated. The
7 90,000 gallon tank is not, but if we do any capital
8 improvements, we feel that it will require new
9 regulatory requirements to insulate that sphere as
10 well.

11 Q. Are there currently code requirements to
12 insulate the tank if it only contains vapor?

13 A. Currently there are no requirements to
14 insulate that tank.

15 Q. Mr. Starbody, we're going to show you
16 what has been marked as ICC Staff Cross Exhibit 11.
17 This document is stamped highly confidential.

18 (Whereupon ICC Staff Cross
19 Exhibit 11 was marked for
20 identification.)

21 A. That is Data Request 2.57.

22 Q. Was the Company's response prepared by

1 -- whoops.

2 MR. MACBRIDE: At this point this exhibit
3 would not need to continue to be maintained as
4 confidential.

5 JUDGE SHOWTIS: Okay.

6 Q. Mr. Starbody, was the response to Staff
7 Data Request ENG-2.57 prepared by you or under your
8 direction?

9 A. Yes.

10 Q. And is it correct that Staff Data
11 Request ENG-2.57 asked the Company to provide the
12 daily withdrawal and injection levels for each
13 storage service and/or facility noted for the
14 months of November and December? And if injections
15 were made during those months, to please explain.
16 Is that correct?

17 A. That's correct.

18 Q. And is it correct that the Company
19 responded that all storage that IP leases or owns
20 is used for daily balancing as well as serving
21 load?

22 A. That's correct.

1 Q. Is it also correct that this response
2 notes that during the period December 19th and 20th
3 gas was injected into the NGPL DSS service and the
4 ANR FSS service?

5 A. You're referring to December, correct?

6 Q. Yes, December 19th and 20th.

7 A. Correct.

8 MS. BUELL: Your Honor, I move for admission
9 into evidence ICC Staff Cross Exhibit 11.

10 MR. MACBRIDE: No objection.

11 JUDGE SHOWTIS: That exhibit is admitted.

12 (Whereupon ICC Staff Cross
13 Exhibit 11 was received into
14 evidence.)

15 The exhibit will not be considered a
16 proprietary exhibit but rather a public exhibit.

17 MS. BUELL: Staff has one last cross exhibit.

18 Q. Mr. Starbody, we now show you what has
19 been marked as ICC Staff Cross Exhibit 12. It is
20 presently also stamped proprietary.

21 A. Staff Data Request 2.112.

22 MR. MACBRIDE: We'd request that this document

1 continue to be proprietary.

2 (Whereupon Proprietary ICC
3 Staff Cross Exhibit 12 was
4 marked for identification.)

5 Q. Mr. Starbody, was the response to Staff
6 Data Request ENG-2.112 prepared by you or under
7 your direction?

8 A. Yes.

9 Q. Is it correct that this data request
10 asked IP to explain how IP uses the ANR FSS and
11 NGPL DSS storage services given the combination of
12 injection and withdrawal activity that occurred at
13 each during December of 2000?

14 A. That's correct.

15 Q. Now in the response is it correct that
16 IP notes that due to its contractual arrangements
17 with a supplier, that it does not have any control
18 over how the ANR FSS service is operated?

19 A. That is correct.

20 Q. And is it also correct that IP notes
21 that the NGPL DSS contract allows no-notice
22 injections and withdrawals and is used for daily

1 balancing as well as firm deliverability?

2 A. That is correct.

3 MS. BUELL: Your Honor, Staff moves for
4 admission into evidence Proprietary ICC Staff Cross
5 Exhibit 12.

6 MR. MACBRIDE: No objection.

7 JUDGE SHOWTIS: That exhibit is admitted.

8 (Whereupon Proprietary ICC
9 Staff Cross Exhibit 12 was
10 received into evidence.)

11 MS. BUELL: Staff has no further questions for
12 Mr. Starbody.

13 JUDGE SHOWTIS: I just have a few questions.

14 EXAMINATION

15 BY JUDGE SHOWTIS:

16 Q. You explained in your testimony why you
17 believe it's not necessary to conduct PVRR analyses
18 with regard to the Freeburg propane plant
19 retirement and the Gillespie storage field
20 retirement. Just so I can get an understanding of
21 your position, would you just briefly explain
22 situations under which you believe it would be

1 appropriate to conduct a PVRR analysis?

2 A. I don't know of any.

3 Q. Not with regard to these two plants, but
4 what types of decisions would a PVRR analysis be
5 appropriate?

6 A. I don't know of any.

7 Q. Never?

8 A. Well, I mean --

9 Q. So that there should never be any PVRR
10 analysis with regard to any decisions that Illinois
11 Power would be making.

12 A. If you're talking about present value
13 for future revenue requirement --

14 Q. Right.

15 A. -- issues, I can't think of any offhand
16 that we would use.

17 Q. And I take it it's your position that if
18 the Commission believes a PVRR analysis would be an
19 appropriate analysis to conduct with regard to
20 either the Freeburg propane plant retirement or the
21 Gillespie storage field retirement, that a 15-year
22 PVRR analysis should be given more weight than a

1 30-year PVRR analysis?

2 A. If you're referring to the two assets
3 that we're talking about.

4 Q. Yes.

5 A. The justification for those two assets
6 was based solely on safety and reliability.

7 Q. No, no, that wasn't the question. The
8 question is if the Commission determined that some
9 weight should be given to a PVRR analysis with
10 regard to those two retirements, you presented some
11 information with regard to the 15-year period and a
12 30-year period. Regardless of what IP's position
13 is, my question pertained to if the Commission was
14 to give some weight to those analyses, which do you
15 believe should be given more weight, a 15-year
16 analysis or a 30-year analysis?

17 A. I would just be speculating.

18 Q. Okay. Because I believe Mr. Lounsberry
19 testified that he thought more weight should be
20 given to the 30-year analysis. You have no
21 position as to whether more weight should be given
22 to the 30-year versus 15-year, assuming the

1 Commission were to give any weight to a PVRR
2 analysis?

3 A. I think, you know, you'd have to do an
4 analysis on that, but the assets here don't require
5 that in my opinion, so you're going to have to look
6 at the specific assets that you're dealing with
7 with regard to that kind of an analysis. You can't
8 just make a broad brush assumption that 15 or 30 is
9 better.

10 Q. Just so I'm clear, turn to page 18 of
11 your rebuttal testimony, and I'm not going to read
12 the clear statement that you reference on lines 400
13 through 403, but just so I understand this
14 testimony there, are you asking that such a
15 statement by the Commission appear in its order in
16 this proceeding?

17 A. If we were to do the PVRR analysis,
18 these are the factors that we would put in there.

19 Q. Well, maybe you have the wrong
20 reference.

21 A. Oh, I'm sorry.

22 MR. MACBRIDE: You're being asked about the

1 rebuttal testimony, Exhibit 3.2.

2 Q. I'm talking about the rebuttal
3 testimony. I guess it's IP Exhibit 3.2, page 18,
4 lines 400 through 403.

5 (Pause in the proceedings.)

6 And my question pertained to whether
7 you're indicating that you would want to see such a
8 statement in the Commission's order in this
9 proceeding.

10 A. Yes.

11 JUDGE SHOWTIS: Okay. That's all the
12 questions I had.

13 MR. MACBRIDE: Could we have just a couple
14 minutes?

15 JUDGE SHOWTIS: Okay.

16 (Whereupon a short recess
17 was taken.)

18 JUDGE SHOWTIS: Back on the record.

19 MR. MACBRIDE: We have some questions on
20 redirect.

21 JUDGE SHOWTIS: Okay.

22

1 REDIRECT EXAMINATION

2 BY MR. MACBRIDE:

3 Q. Mr. Starbody, you were asked about the
4 trend of development of the area around the
5 Freeburg propane plant, and I think in your answer
6 you said essentially that you've seen the
7 population of the Smithton and Freeburg communities
8 grow since 1970. Do you recall that?

9 A. Yes.

10 Q. In making your analysis of whether to
11 retire or continue to operate the Freeburg propane
12 plant, did you also give consideration to the trend
13 of development of the area into the future?

14 A. Yes, we did.

15 Q. All right. And what was your
16 expectation?

17 A. We would expect continuing trend toward
18 the facility itself.

19 Q. So a trend of --

20 A. Growth.

21 Q. Thank you.

22 If you'd refer to page 11 of IP Exhibit

1 3.6, on lines 237 to 240 you state that there are
2 some 27 houses along the road that runs from the
3 plant site to the subdivision that Mr. Lounsberry
4 references. Do you see that?

5 A. Yes.

6 Q. And could you indicate on Staff Cross
7 Exhibit 1, which is the aerial photograph, exactly
8 where that road is?

9 A. That would be the road running west from
10 the plant in the lower half of the exhibit.

11 Q. All right. Now you indicated that the
12 aerial photograph was taken in I think May or April
13 of 1997. Is that correct?

14 A. Yeah, April 3, 1997.

15 Q. All right. And are the houses you
16 referred to all shown on this aerial photograph?

17 A. No.

18 Q. So would it be fair to say that a number
19 of these houses have been built since this
20 photograph was taken in 1997?

21 A. Yes.

22 Q. Could you refer to Staff

1 Cross-Examination Exhibit Number 4, please? Do you
2 still have that with you?

3 A. Yeah, I do.

4 Q. All right. And this cross exhibit was a
5 response to the Company's response to Data Request
6 ENG-2.190 which listed the components of the
7 Shanghai aquifer storage field. Is that correct?

8 A. That's correct.

9 Q. And in the middle of that list it says
10 number of compressors one (does not include the
11 south compressor). What is the south compressor
12 referring to?

13 A. The south compressor is another
14 compressor associated with the Shanghai storage
15 facility that's located off the site itself.

16 Q. Okay. And is the south compressor what
17 is sometimes referred to as the South Shanghai
18 compressor?

19 A. That's correct.

20 Q. And that's so referenced in your
21 testimony?

22 A. Yes.

1 Q. All right. And was it the South
2 Shanghai compressor that was repaired in 1995?

3 A. That's correct.

4 Q. And that is the compressor that you
5 used, the cost for, to estimate the cost of
6 upgrading the compressor at the Gillespie field.
7 Correct?

8 A. That's correct.

9 Q. So would it be fair to say that none of
10 the equipment or components that are listed on
11 Staff Cross Exhibit 4 was used as a basis for
12 estimating the cost of the upgrades at the
13 Gillespie field?

14 A. That's correct.

15 Q. You were asked a question or you
16 testified in response to a question that you didn't
17 think there were any circumstances in which it
18 would be appropriate today to purchase gas based on
19 anything other than the lowest reservation cost,
20 and in explaining your answer you said that the
21 market today is not as basis sensitive as it used
22 to be. Can you explain what you mean by not as

1 basis sensitive as it used to be?

2 A. It is not as easy to predict one
3 location you're going to be buying your gas from.

4 Q. And why is that?

5 A. The basis really refers to the
6 transportation of that commodity as becoming as
7 commoditized as the commodity itself.

8 Q. Well, in the past was it possible or
9 were you more able to predict what gas coming from
10 different locations would cost?

11 A. It was much more predictable, yes.

12 Q. And so your testimony is that in the
13 current market it's not possible to make those
14 predictions?

15 A. Correct.

16 Q. Now would you look at Staff Cross
17 Exhibit Number 9, please? And this exhibit
18 describes some work that was done on the Freeburg
19 propane plant in the year 2000. Correct?

20 A. Correct.

21 Q. Was the work described on this exhibit
22 all the work that would have been needed in order

1 to be able to continue to operate the Freeburg
2 plant safely and reliably into the future?

3 A. No. This was equipment that was needed
4 just to maintain the integrity and safety of the
5 field as we know it today.

6 Q. Well, given that you were going to
7 retire the field -- or excuse me -- retire the
8 propane plant, why did you do any work in the year
9 2000?

10 A. We did minimal amount of work, again, to
11 maintain the safety of the area.

12 Q. Okay. And you have a reference in the
13 last sentence of this data request answer to code
14 requirements. What is a code requirement?

15 A. Currently a lot of the equipment there
16 is 1970, '71, and is grandfathered in a sense. If
17 we go in and upgrade a significant portion of that
18 facility, then we will put a lot of that equipment
19 into a mode of having to bring it up to code.

20 Q. Okay. So in your testimony today at one
21 point you were asked about a statement in your
22 testimony that in the future if the Freeburg plant

1 continued to be operated, it would be necessary to
2 insulate the 90,000 gallon transfer tank. Do you
3 recall that?

4 A. Yes.

5 Q. And I think you stated that currently
6 there are no requirements to insulate the tank.

7 A. Under the current code. If we are to
8 upgrade the facility, then it would fall under some
9 new code requirements, and currently it's basically
10 grandfathered today.

11 Q. All right. So are you saying that if
12 you were to do major upgrades to the facility, that
13 a new set of code requirements would become
14 applicable that aren't applicable today?

15 A. Correct.

16 Q. Is that an unusual situation?

17 A. No, it's quite common.

18 Q. Would you look at Staff Data Request
19 Number 10, please? Now this exhibit was a response
20 to a data request in which the Company identified
21 work that had been done on the Freeburg propane
22 plant in the years 1995 to 2000. Is that correct?

1 A. That's correct.

2 Q. Does the fact that the work listed on
3 this exhibit had been done over this six-year
4 period indicate to you that if Illinois Power had
5 continued to operate the Freeburg propane plant
6 into the future, that there would not have been a
7 need for additional capital expenditures?

8 A. No. This is, again, to maintain the
9 safety of the system itself.

10 Q. In response to a question from Judge
11 Showtis you said that the decision to retire these
12 two assets, and I assume you meant the Freeburg
13 propane plant and the Gillespie storage field.

14 A. Correct.

15 Q. Was based solely on safety and
16 reliability. Do you recall that?

17 A. Yes.

18 Q. Does that mean you gave no consideration
19 to the cost of capital improvements at those
20 facilities?

21 A. No. The cost of capital is the cost to
22 do the safety and reliability upgrades.

1 Q. If you were required to do and take into
2 account the results of a PVRR analysis in making a
3 decision such as whether to retire the Freeburg
4 plant, and you had a choice between a 15-year and a
5 30-year analysis, which one of those would give you
6 more confidence in the accuracy of its assumptions
7 and therefore of its results?

8 A. Well, given the choice, I would pick the
9 15-year.

10 Q. Now you testified in response to one of
11 Mr. Showtis' questions that you couldn't think of
12 any example of a situation in which a PVRR analysis
13 would need to be done. Outside the scope of your
14 responsibilities at Illinois Power, are there other
15 decisions that the Company might need to make for
16 which a formal, quantitative economic analysis
17 might be appropriate?

18 A. Yes.

19 MR. MACBRIDE: That's all the redirect we
20 have.

21 MS. BUELL: Your Honor, Staff has a few
22 recross questions to ask of Mr. Starbody.

1 RECROSS EXAMINATION

2 BY MS. BUELL:

3 Q. Mr. Starbody, you indicated that PVR
4 analyses might be appropriate within the Company in
5 areas that were outside your particular areas of
6 responsibility. Would you please tell me what
7 specifically your areas of responsibility are in
8 the Company?

9 A. Currently or during the term of the
10 reconciliation?

11 Q. I'm not certain of the context in which
12 you answered the question about the use of the PVR
13 analyses, so whichever you based that answer on,
14 whether it was during the reconciliation period or
15 during your present position, or perhaps you should
16 explain both.

17 A. The PVR response was based on the assets
18 that we talked about at Freeburg and Gillespie. My
19 response was I couldn't think of anything that we
20 would use that for, and one item that we probably
21 would use that for would be such as rate design or
22 something of that nature.

1 Q. But not in the expansion or repair of
2 storage fields or propane facilities.

3 A. We haven't used it -- we haven't had any
4 expansion so we haven't used it for any of that.

5 Q. Or retirement of either one.

6 A. Our decision on the two assets that were
7 retired were based on the safety and reliability of
8 those facilities and the costs associated with
9 that.

10 Q. You mentioned in your redirect certain
11 things having to be done at the Freeburg facility
12 in order for new code requirements to apply. Could
13 you please explain what the things would be that
14 needed to be done at Freeburg and also what new
15 code requirements would apply?

16 A. The things that we did were not due to
17 new codes. They were done to maintain the
18 integrity of the facility itself. The concern is
19 that if we do a major upgrade there, that they will
20 fall under new codes at that time and will increase
21 our capital expenditures.

22 Q. Do you know for a fact that any upgrades

1 will fall under a new code or is that just your
2 assumption?

3 A. I believe that the NFPA 59 that we're
4 under today is I think 1992, and I think that's
5 upgraded every ten years, so we would probably fall
6 under that NFPA.

7 Q. Would that be for the existing facility
8 or for the upgrades?

9 A. That would be -- in my opinion, that
10 would be probably for everything that we touch
11 there.

12 MS. BUELL: Staff has no further questions.

13 MR. MACBRIDE: Nothing further.

14 JUDGE SHOWTIS: You can step down,
15 Mr. Starbody.

16 (Witness excused.)

17 MR. MACBRIDE: We have affidavits for the
18 other two Illinois -- or two other Illinois Power
19 witnesses, Ms. Grohne and Ms. McKinney.

20 JUDGE SHOWTIS: Okay.

21 MR. MACBRIDE: If I could take those up at
22 this time.

1 JUDGE SHOWTIS: Go ahead.

2 MR. MACBRIDE: And we'll submit an affidavit
3 for Ms. Grohne with respect to IP Exhibits 2.1
4 through 2.6, and I've had this affidavit marked by
5 the Reporter as IP Exhibit 2.7.

6 JUDGE SHOWTIS: Okay.

7 MR. MACBRIDE: And since I'm always confused
8 by the Chief Clerk as to what she will and will not
9 accept in terms of notarized affidavits, we're
10 going to submit these to the Reporter.

11 JUDGE SHOWTIS: That's fine.

12 MR. MACBRIDE: And then I also have an
13 affidavit from Barbara A. McKinney which I've had
14 the Reporter mark as IP Exhibit 1.4 attesting to IP
15 Exhibits 1.1, 1.2, and 1.3, and IP Exhibit 1.3 is
16 the Company's notices of publication. The
17 originally filed exhibit just listed the
18 newspapers. The exhibit I'm submitting to the
19 Reporter contains all the actual notices of
20 publication that were received back from the
21 various newspapers.

22 So the affidavit is marked as IP Exhibit

1 1.4 and a complete copy, of Revised IP Exhibit 1.3,
2 including those certificates, is attached to it,
3 and I am handing that to the Reporter, and we offer
4 IP Exhibits 2.1 through 2.7 and 1.1, 1.2, Revised
5 1.3, and 1.4 into evidence.

6 JUDGE SHOWTIS: Just so I'm clear, is the
7 Reporter just going to mark as exhibits IP Exhibits
8 1.4, Revised 1.3, and 2.7?

9 MR. MACBRIDE: Correct.

10 JUDGE SHOWTIS: And the remaining exhibits are
11 already on e-Docket.

12 MR. MACBRIDE: That is correct.

13 JUDGE SHOWTIS: Okay.

14 Those exhibits are admitted into
15 evidence.

16 (Whereupon IP Exhibits 2.1
17 through 2,7, 1.1, 1.2,
18 Revised 1.3, and 1.4 were
19 received into evidence.)

20 JUDGE SHOWTIS: Okay. Is there anything else
21 that needs to be discussed today?

22 I believe there's one remaining witness,

1 and then we'll take up the briefing schedule at the
2 close of the evidentiary hearing on Tuesday.

3 MR. MACBRIDE: Thank you.

4 JUDGE SHOWTIS: The hearing in this matter is
5 continued to Tuesday, August 7th, at 1:30 P.M.

6 (Whereupon the case was
7 continued to August 7, 2001,
8 at 1:30 P.M. in Springfield,
9 Illinois.)

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1 STATE OF ILLINOIS)
)SS
2 COUNTY OF SANGAMON)

3 CASE NO.: 00-0714

4 TITLE: ILLINOIS COMMERCE COMMISSION
 On Its Own Motion
5 -vs-
 ILLINOIS POWER COMPANY
6
7
8
9

10 CERTIFICATE OF REPORTER

11 I, Cheryl A. Davis, do hereby certify that I
12 am a court reporter contracted by Sullivan
13 Reporting Company of Chicago, Illinois; that I
14 reported in shorthand the evidence taken and
15 proceedings had on the hearing on the
16 above-entitled case on the 3rd day of August, 2001;
17 that the foregoing pages are a true and correct
18 transcript of my shorthand notes so taken as
19 aforesaid and contain all of the proceedings
20 directed by the Commission or other persons
21 authorized by it to conduct the said hearing to be
22 so stenographically reported.

 Dated at Springfield, Illinois, on this 17th
day of August, A.D., 2001.

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